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TAXATION

1. General Principles

The Law on Tax Administration, originally adopted in 13 April 2004, sets out the general taxation principles in Lithuania. This law sets basic concepts and regulations which must be observed in implementing the tax laws of Lithuania, the basic principles of legal regulation of taxation, the list of taxes applied in Lithuania, the functions, rights and obligations of the tax administrator, the rights and obligations of the taxpayer, the calculation and payment of taxes, the procedure of enforced recovery of taxes and related amounts as well as the procedure for the settlement of tax disputes.

The general, overriding principle used in the application of tax laws is that, in cases where matters are regulated by a special law, the special law (e.g. VAT, corporate income tax) will apply rather than the general Law on Tax Administration.

According to the law, duties are imposed either by the state or municipalities. The state imposes duties on a number of different items. The most common state duties are:

1. Company registration duty is. 57,34 EUR for limited liability company [UAB] registration within 3 business days.
2. Amendments to the Articles of Association cost. 26,65 EUR for registration within 3 business days. Registration of changes to the Board and other records costs 2,90 EUR for the change of one domain (registration within 3 business days).
3. The duty for the registration of a new branch (performing commercial activity and without legal entity status) is 50% off the registration of type of legal entity (as for instance if UAB's branch is registered the cost will be 57,34 EUR off 50% which equals to 28,67 EUR) for registration within 3 business days. The registration of respective amendments duty is 2,90 EUR for one domain for registration within 3 business days.
4. The duty for the registration of a new representative office (not performing commercial activity and without legal entity status) of a foreign entity or organization is 57,92 EUR for registration within 3 business days. The registration of respective amendments duty is 2,90 EUR for registration of one domain.
5. The duty for reorganization registration is: 2,90 EUR for every changed domain and the registration will be made within 3 business days;
6. Regarding immigration, the state duty for issuance of a temporary residence permit is 28EUR, document administration in 4 months is 86 EUR, document administration in 2 months – 172 EUR. Wherewith permanent residence permit –43 EUR for document

administration, 56 EUR for document administration within 2 months and 28 EUR for issuance of residence permit;

7. Registration of land for natural persons in the Center of Immovable property depends on the market price of the property and varies from 5,79 EUR for land which market price is up to 290 EUR, to 289,62 EUR state fee for the registration of land which market price exceeds 290 000 EUR; for legal entities the state fee is 23,17 EUR for registration of land which market price is to 2 900 EUR; from 2 901 EUR to 29 000 EUR state fee is 23,17 EUR + 0,3 % of difference between the object's average market price and 2900 EUR; from 29 001 EUR to 290 000 EUR state fee is 101,37 EUR + 0,3 % of difference between the object's average market price and 29 000 EUR ; and for land which value exceeds 290 000 EUR state fee is 883,34 EUR+ 0,2 % of difference between the object's average market price and 290 000 EUR, but not more than 1 448,10 EUR. For the registration of buildings or premises concerned, the state fee for natural persons varies from 2,90 EUR for building or premises which market price is up to 14 500 EUR. State fee for legal persons starts from 37,65 EUR for building or premises which market price is up to 14 500 EUR. The state fee for registration of premises or buildings cannot exceed 289,62EUR for natural persons and 1 448,10 EUR for legal persons.
8. Regarding the registration of trademarks: state fee for registration of trademark is 69,51 EUR; for every single additional class – state fee is 34,75 EUR. For the prolongation of the term – 69,51 EUR; for every single additional class of prolongation – 34,75 EUR.

Taxes levied by the central government are:

- 1) value added tax;
- 2) excise duties;
- 3) personal income tax;
- 4) immovable property tax;
- 5) land tax;
- 6) state natural resources tax;
- 7) petroleum and gas resources tax;
- 8) tax on environmental pollution;
- 9) consular fees;
- 10) stamp duty;
- 11) inheritance or gift tax;
- 12) compulsory health insurance contributions;
- 13) contributions to the Guarantee Fund;
- 14) state-imposed fees and charges;
- 15) lottery and gaming tax;
- 16) fees for the registration of industrial property objects;
- 17) corporate income tax;
- 18) state social insurance contributions;
- 19) tax on a surplus amount in the sugar sector;

- 20) production charge in the sugar sector;
- 21) customs duties;
- 22) deductions from income under the Law of the Republic of Lithuania on Forestry;
- 23) tax on the use of state property by the right of trust;
- 24) social tax;
- 25) one-off tax on additional quota for white sugar production and on supplementary quota for isoglucose production.
- 26) market place duty

Taxpayers are entitled to defer payment of certain taxes. Unpaid taxes are subject to a late-payment fee the rate whereof is set by the Minister of Finance. Late payment amounts no longer increase when the late payment equals the original debt amount.

The amount of tax penalties imposed depends on the type and delay of tax non-compliance. Late filing of tax declarations results in penalties of no more than 145 EUR for the first breach. However the second breach results the increased penalty of up to 290 EUR. If the evasion of taxes occurs – the penalty is from 580 EUR to 1160 EUR if no criminal charges are met.

A taxpayer is allowed to make voluntary corrections to a tax declaration for a 5-year period after the payable term, if an audit by the tax administration has not been commenced. The taxpayer remains his right to apply for the voluntary corrections to tax declaration even if the audit by the tax administration was commenced, however in this case the tax authorities has the right to decline it. That results in the cancellation of any penalties pending for tax non-compliance.

All decisions of the tax authorities may be appealed to the Tax administrator, Tax Litigation Commission and Court. Decisions of tax administrator may be appealed to Tax Litigation Commission within the period of 20 days of the date the decision was received.

2. Personal Income Tax

The law “on Income Tax of Individuals”, adopted in 2002 sets out the taxation of individuals’ personal income.

Since 2009 general rate of personal income tax is 15%. Income from distributed profits, including dividends, is taxed by 15% personal income tax. Income of self-employed individuals is taxed by 5% rate (with an exception of so called “free professions” income and income deriving from securities which are taxed by general 15% rate).

From August 2009 amendments to the law on personal income tax came into force. The law provides the complete list of benefits in kind and the list income that will not be interpreted as benefit in kind for the tax period starting from 2010. The amendment to the law on personal income tax sets the new rule for calculation of non-taxable amount of income.

Expatriate taxation

Expatriates are liable for Lithuanian taxes depending on their tax residency. In Lithuania residents are taxed on worldwide income with the following exception. Residents (non-

Lithuanian citizens) are taxed on income the source whereof is in Lithuania if such resident during the same taxation period is considered as a resident of that other state, and Lithuania has a DTA with such state, and respective authorities of that other state inform Lithuanian Tax Office about it. Non residents are taxed on income received from permanent base and on income received abroad which are attributed to that permanent base in Lithuania when such income is related to non resident's activities via permanent base in Lithuania; as well income received not via permanent base, but the source whereof is in Lithuania.

If respective documents are presented, expatriate is not subjected to obligatory 9% healthcare insurance tax if it is already paid in other country. Wherewith Lithuanian residents are subjected to 9% healthcare social tax and 15% of total personal income tax is applicable.

Pursuant to the domestic legislation, an individual will be regarded as a resident of Lithuania, if:

- 1) any natural person whose permanent place of residence during the tax period is in Lithuania, or*
- 2) any natural person whose place of personal, social or economic interests during the tax period is in Lithuania rather than in a foreign country, or*
- 3) any natural person who is present in Lithuania continuously or intermittently for 183 days or more during the tax period, or*
- 4) any natural person who is present in Lithuania continuously or intermittently for 280 days or more during successive tax periods and stayed in Lithuania continuously or intermittently for 90 days or more during one of those tax periods.*

As a general rule, persons who do not match to the above-mentioned categories are considered to be non-residents of Lithuania for tax purposes.

However, an individual will not be considered Lithuanian resident even if he stays in Lithuania for 183 days during the calendar year and during the 2 year period stays in Lithuania more than 280 days in the following cases:

1. If he is only engaged in individual activity through his permanent establishment in Lithuania;
2. If he works in Lithuania, but receives his salary from budget of a foreign state;
3. If he works for foreign state's diplomatic, consular or international organizations agency in Lithuania.

Non-Lithuanian resident taxation from particular income

Non-Lithuanian resident in Lithuania pays income tax from the following income:

1. Through his permanent establishment in Lithuania received income from individual activity (Tax rate – 15%);
2. Not through permanent establishment received income if the source of this income is in LT (Tax rate 15%, dividends – 15% starting from year 2014).

E101 Certificate

The E101 certificate is required in order to pay tax only in his/her home country. E101 provides that the employee is registered as socially insured person in his/her State (as for instance – Lithuania). A statement should be presented to the competent authority of the employment State, if the authority requests for it. The E101 is not provided for person who is going to change another person, whose assignment period has expired.

General rules on E101 Certificate

Every case on the application of E101 Certificate is examined individually. However, some general rules can be set out for the E101 certificate.

As for instance if person is sent to another State to work for 12 month – tax is paid in home country. General rule is also applicable that a tax is paid where the person works, regardless his residence. If the person is working in two states – tax is paid where his residence is. If no residence in working states – then tax is paid where company’s legal address is. If person is employed by several employers – the tax is paid where the residence country is.

Table 1. Salary taxation in Lithuania

	Lithuania (EUR)	
	rate	amount
Bruto salary		3 000
Non taxable income		0
Income tax	15%	450
Obligatory healthcare	-	-
Social security paid by employee	9%	270
Unemployment fee	-	-
Net salary		2 280
Employers unemployment fee	-	-
Social security paid by employer	30,98	929,40

Guarantee fund payment	0,2%	6
Risk duty	-	-
Total company expenses		3 935.40

Annual income tax declarations must be submitted by May 1 of the following year.

Taxation of the income from alienation of immovable property

As the previous legal framework for personal income tax states, income from alienation of immovable property shall not be taxed if the respective property has been in the person's ownership for more than 3 years. Furthermore income from the sale of immovable property shall also not be taxed if a person has lived in that property for more than 2 years. However, if the person resided for less than two years in the immovable property, the income from the sale of such property shall not be taxed only in such case if the person uses the profit from the sale of this property for acquisition of a new property for living. Such acquisition shall be made within one year.

Income tax exemptions

As of 1st January 2009 most of personal income tax exemptions have been cancelled. For instance, it will no longer be possible to deduct interest for acquired real estate, acquired computers and education fees (for second higher degree) for the purposes of taxable income calculation. Exemption for loan interest on acquired real estate shall continue to apply for loans taken before 2009, however for only one property.

Calculation of non-taxable income amount

There have also been introduced a new calculation of non-taxable income amount. Non –taxable income amount is applicable only on income related to an employment agreement. For persons with income not exceeding 290 EUR per month non-taxable amount shall be 165 EUR. If income exceeds 290 EUR, non-taxable amount shall be calculated using the following formula:

$$\text{non-taxable amount} = 165 \text{ EUR} - 0,26 \times \text{the amount that exceeds 290 EUR}$$

According to this formula, non-taxable amount shall not be applied for persons earning more than 928 EUR per month.

Tax treaties

Currently, Lithuania has concluded 53 *Treaties on the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income and capital* in effect with Armenia, Azerbaijan, Austria, Belarus, Belgium, Bulgaria, Canada, China, Croatia, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Georgia, Germany, Great Britain, Greece,

Hungary, Iceland, India, Ireland, Israel, Italy, Kazakhstan, South Korea, Kuwait Latvia, Luxembourg, Malta, Macedonia, Moldova, Morocco, Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Turkmenistan, USA, United Arab Emirates, Ukraine, Uzbekistan. The mentioned treaties are based on OECD/UN model agreement.

New tax treaties have been concluded in 2014 with Cyprus, United Arab Emirates, Kuwait, Turkmenistan and Morocco.

Furthermore, these treaties are applied directly and do not need to be incorporated into domestic laws.

3. Social Insurance Payments (Social Tax)

The social security payments are following: the employer withholds 3% on pension social insurance and 6% to health insurance, and the employer also pays social security contributions ranging from 30,98% to 32,6% of income depending on the risk group where the employee is currently. In case of royalties, there is no separation between whether the individual has working contract or not. The amounts are same as in case of when the person has working contract, but the social security contribution in case of where there is no employment contract is 29,7%.

4. Real Estate Tax

On the January 1, 2006 a Law on Real Estate Tax has entered into force. The council of the municipality on the territory where buildings and structures are located determines the exact rate of the tax. From 2015 the tax ranges from 1 % to 3% and it is paid by natural persons (lithuanian and foreign entities) owning the property in Lithuania and legal persons (lithuanian and foreign entities) owning the property, leasing it or using on other legal grounds for period longer than 1 month. If a natural person owns real estate property (living - recreational purpose property, garden, farming property, study, religious, fishery real estate property) which average market value exceeds 220 000 EUR in value, the person shall pay 0,5% real estate property tax exceeding the value of 220 000 EUR.

If a natural person owns other real estate property (intended for commercial sales or administrative activities) which exceeds 220 000 EUR) in value, the person shall pay 1 % real estate property tax exceeding the value of 220 000 EUR.

Legal entities, as opposed to individuals, should pay advance installments on a quarterly basis. Both individuals and legal entities should provide an annual real estate tax return to the State tax authorities not later than 1 February of the next year.

5. Corporate Income Tax

First of all from 2010 corporate income tax has been reduced from 20 to 15%. Additionally to this, starting from January 1, 2012 small companies employing not more than 10 employees and having its annual income at not more than 300 000 EUR shall be subjected to 5% of Corporate income tax (exceptions apply).

It is important to note that from January 2010 withholding tax on interest is withdrawn if the interest itself is paid to legal entities registered or organized within EEA member states. The same principle is applicable in relationship with countries with which Lithuania has signed Treaty on the Avoidance of Double Taxation.

Pursuant to the law, Corporate income Tax is paid by Lithuanian and foreign entities, with an exception of budget-financed institutions, Lithuanian bank, state and municipalities, its institutions, agencies or organizations, state company “Deposit and Investment Insurance” as well as European Economic Interest Groupings.

6. Withholding Taxes

Currently income from the sale, other transfer into ownership or lease of property immovable by nature located in the Republic of Lithuania and annual bonuses paid to the members of supervisory board, dividends and other income from distributed profits gained in the Republic of Lithuania are taxed at the rate of 15%.

Treaties on the avoidance of double taxation on income and capital

Currently Lithuania has signed 48 treaties on the avoidance of double taxation on income and capital. The treaties are drawn to the Lithuanian tax treaty model, which is based on OECD and United Nations Model tax conventions. The essence of the treaties themselves is that they do not have to be incorporated into Lithuanian laws separately – they come into effect on the exact date indicated in the treaty, either when the treaty is signed and ratified by the Lithuanian parliament. Therefore international treaties enjoy supremacy over national Lithuanian laws unless the national law is more beneficial.

One of the first treaties on the avoidance of double taxation came into effect with Sweden, Finland, Denmark and Norway in 1994, with Poland, Germany and Latvia in 1995, with Check Republic in 1996. Few of the most recent agreements on the avoidance of double taxation are in effect since 2009 with Macedonia, since 2008 with Korea, since 2007 with Israel, Bulgaria and Luxemburg.

Lithuania has concluded agreements with Canada and United states on the avoidance of double taxation. Convention between the Government of Lithuania and the Government of Canada for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital was signed on 29th August, 1996 and came into effect 12th December

1997. Where Convention between the Government of Lithuania and the Government of the United States of America for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income was signed in Washington on January 15th, 1998, came into force on December 30th, 1999.

In accordance to the agreements on double taxation, tax on dividends, interest and royalty are more favorable.

Tax rate on dividends with a regard to various agreements on the avoidance of double taxation slightly varies. Tax rate on dividends is divided to several groups: when recipient owns more than 25% of the payer's share capital, accordingly 20% and 10% of the payer's share capital. There are only two agreements – with Estonia and Switzerland wherewith tax rate on dividends is 5% when recipient owns more than 20 of the payer's share capital. With Bulgaria and Macedonia 0% tax rate on dividends is applied when recipient owns more than 10% of the payer's share capital. As well with Latvia 0% rate is applicable in the cases where the recipient owns more than 25% of the payer's share capital. However, these examples are more exception then the rule. Generally the tax rates varies from 10 to 15% with an exceptions of 5% tax rate on dividends when the recipient owns more than 25%, 20% or 10% of the payer's share capital (*f.e.* Armenia, Austria, Belgium, Greece Spain, Italy, Netherlands etc.).

With a regard to agreement between United States and Lithuania on the avoidance of double taxation the tax on dividends cannot exceed 5% when the recipient owns more than 10% of the payer's share capital and 15% of the gross amount of the dividends in all other cases. In comparison with Canada on the agreement on the avoidance of double taxation the tax on dividends cannot exceed 5% when the recipient owns more than 25% of the payer's share capital and 15% of the gross amount of the dividends in all other cases.

Tax rate on interest in the treaties with Lithuania on the avoidance of double taxation is at the rate of 10%. With a regard to agreements between Lithuania and United States as well as Lithuania and Canada the tax charged cannot exceed 10% of the gross amount of the interest. The 10% tax rate is applied in both agreements and is most common tax rate in the other agreements for the avoidance of the double taxation. The only exception is the agreement on the avoidance of double taxation with Latvia, where the 0 % tax rate on interest is foreseen.

With a regard to the agreement between Lithuania and United States on the avoidance of the double taxation, the tax rate is 5% of the gross amount of the royalties paid for the use of industrial, commercial or scientific equipment and 10% of the gross amount of the royalties in all other cases. However regarding the agreement between Lithuania and Canada there is no exception for the royalties paid for the use of industrial, commercial or scientific equipment and general tax rate of 10% of the gross amount of the royalties is applied. On the other hand, royalties paid by Lithuanian legal entity to foreign legal entity is taxed at 10% rate to copyright, know-how, franchise, rent and selling of immovable property and violation of copyright.

The following table shows withholding tax rates applicable to dividends, interest and royalty payments to the designated countries. If the non-treaty country rate of withholding tax for a particular class of payment is lower than the rate applicable to the designated countries, the non-treaty rate is applicable. The non-treaty country rate is determined by domestic legislation.

Withholding tax rates:

State	Tax Rates									
	Dividends					Interest		3,5*	4,6,7*	3,5,4,6,7*
	CIT Law	According to the treaty for the avoidance of double taxation				CIT Law	According to the treaty for the avoidance of double taxation	CIT Law	According to the treaty for the avoidance of double taxation	
		A	B	C	D					
Armenia	15	5			15	10	10	10	15	
Austria	15	5			15	10	10	10	15	
Azerbaijan	15	5			10	10	10	10	15	
Belarus	15				10	10	10	10	15	
Belgium	15	5			15	10	10	10	15	
Great Britain and Northern Ireland	15	5			15	10	10	10	15	
Bulgaria	15			0	10	10	10	10	15	
Canada	15	5			15	10	10	10	15	
China	15	5			10	10	10	10	15	
Croatia	15			5	15	10	10	10	15	
Czech Republic	15	5			15	10	10	10	15	
Cyprus	15			0	5	10	0	10	15	
Denmark	15	5			15	10	10	10	15	
Estonia	15		5		15	10	10	10	15	
Finland	15	5			15	10	10	10	15	
France	15			5	15	10	10	10	15	
Georgia	15	5			15	10	10	10	15	
Germany	15	5			15	10	10	10	15	
Greece	15	5			15	10	10	10	15	

Hungary	15	5			15	10	10	10	15	
Iceland	15	5			15	10	10	10	15	
India	15			5	15	10	10	10	15	
Ireland	15	5			15	10	10	10	15	
Israel	15			5, 10	15	10	10	10	15	
Italy	15			5	15	10	10	10	15	
Kazakhstan	15	5			15	10	10	10	15	
Kyrgyzstan	15		5		15	10	10	10	15	
South Korea	15	5			10	10	10	10	15	
Kuwait	15			5	15	10	10	10	15	
Latvia	15	0			15	10	0	10	15	
Luxembourg	15	5			15	10	10	10	15	
Marocco	15			5	10	10	10	10	15	
Macedonia	15			0	10	10	10	10	15	
Malta	15	5			15	10	10	10	15	
Mexico	15			0	15	10	10	10	15	
Moldova	15				10	10	10	10	15	
Netherlands	15	5			15	10	10	10	15	
Norway	15	5			15	10	10	10	15	
Poland	15	5			15	10	10	10	15	
Portugal	15				10	10	10	10	15	
Romania	15				10	10	10	10	15	
Russia	15	5			10	10	10	10	15	
Serbia	15	5			10	10	10	10	15	
Singapore	15	5			10	10	10	10	15	
Slovakia	15				10	10	10	10	15	
Slovenia	15	5			15	10	10	10	15	
Spain	15	5			15	10	10	10	15	
Sweden	15	5			15	10	10	10	15	
Switzerland	15		5		15	10	10	10	15	
Turkey	15				10	10	10	10	15	
Turkmenistan	15	5			10	10				
Ukraine	15	5			15	10	10	10	15	
USA	15			5	15	10	10	10	15	
UAE	15			0	5	10	0	10	15	
Uzbekistan	15				10	10	10	10	15	

According to CIT law, Article 4:

* **3** Renumeration;

- 4 Income received from sold, rented or allied in other way immovable property situated in the Republic of Lithuania;
- 5 Income for compensation for the breach of authors' rights;
- 6 Income for the sports and performers activity in Lithuania;
- 7 Annual payments (tandems) for the activity of Supervisory board members.

7. Tax on Dividends

From 2010 tax applied on dividends is at 15% corporate income tax rate. There are certain exemptions: no tax on dividends is applicable when the shareholder has been controlling more than 10% in the company for more than 12 months (with an exception of purposes territories, so called off-shores). Dividends between EEA companies are not taxed.

Moreover, if company established in the Republic of Lithuania comes to the decision to divide the profit of the company to its shareholders, even in case that profit was exempted from corporate income tax reasoned by the incentive, it will be taxed at the rate of 15% of the proportionate part of the distributed profits.

Tax-free dividends

Dividends paid by a Lithuanian entity to a foreign entity will not be taxed if:

1. Foreign entity controls for 12 months more than 10% of voting shares in Lithuanian

A	When the receiver owns more than 25 % of payers share capital;
B	When the receiver owns more than 20 % of payers share capital;
C	When the receiver owns more than 10 % of payers share capital;
D	In all other cases.

entity;

2. Is not registered or organized in target territories (for instance, Ecuador);
3. All the income is taxed at the rate of 15 % (no tax exemption like 0%).

8. Value-added Tax

The Law on Value Added Tax of the Republic of Lithuania is the main legal act regulating calculation, payment and declaration of value added tax.

Currently in Lithuania value-added tax (VAT) rate is 21%. It shall be noted that preferential rates are applicable for certain categories of goods and services.

Preferential VAT rate of 9% is applicable to: 1) books and other non-periodical publications; 2) tourism services; 3) newspapers, magazines and other periodical publications, excluding those of

erotic or violent character; 4) passenger and luggage transportation services on regular routes 5) hotel and accommodation services (rendered under laws regulating tourism). A preferential rate of 5% is applicable for pharmaceuticals and medical aid devices following conditions of the Law on Health Insurance. The aforementioned rate is also applicable for technical aid devices for the disabled and repair of these devices.

0% VAT rate applies to provision and acquisition of goods and services from another EU Member State.

From 2010 VAT received in other EU member states may be refunded through filing the electronic form at local tax authorities in Lithuania. After receiving the respective application local tax authorities shall forward the application to tax administrator in another EU member state. This process shall ease the VAT refund system within EU.

Value added tax rate has been increased from 19% to 21% since 1st September 2009. It was the second major value added tax increase. Value added tax rate has been increased previously from 18% to 19% in January 2009.

Cases of Application of zero-rate of VAT to supply of goods and services

There are certain conditions established for zero-rate of VAT payment.

Zero-rate of VAT is charged on the supplies of goods, provided the goods are exported by or on behalf of the supplier outside the territory of the Community.

As well zero-rate of VAT is charged on the supplies of goods when these are dispatched or transported outside the territory of the Community by or on behalf of the purchaser established outside the territory of the country, with the exception of goods transported by the purchaser himself for the equipping and provisioning of pleasure boats and private aircraft or any other means of transport for private use.

In the case of the supply of the goods to be carried in the personal luggage of travellers, zero-rate of VAT is also applicable. In this case zero-rate of VAT will be applied to goods exported by persons who have their permanent address or usually reside outside the Community territory, which they have acquired in the Republic of Lithuania and the value whereof exceeds the threshold established by the Government of the Republic of Lithuania. A foreign passenger must prove that he has his permanent address or usually resides outside the Community by presenting a document of the type specified by the Government of the Republic of Lithuania.

With a regard to transport services zero-rate of VAT will be applied to the supply of services, including transport and any ancillary services, when these services are directly related to the export of goods outside the territory of the Community. Zero-rate of VAT shall be charged on the supply of transport services, also on the supply of any services ancillary to transport where the services are directly related to the goods, which are placed under the arrangements and

procedures. Moreover the issue of TIR and ATA Carnets shall be subject to zero-rate of VAT. Zero-rate of VAT is applicable to transportation of passengers on international routes, also to the transportation of passenger luggage irrespective of the type of the means of transport.

Zero-rate of VAT shall be charged on the insurance services as well as financial services when these services are directly linked to the export of goods outside the Community territory.

Zero-rate of VAT is charged on goods supplied to a VAT payer identified for VAT purposes in another Member State and dispatched from the territory of the country to another Member State, irrespective of who - whether the supplier of goods, the purchaser of goods or a third party on order from either of them - dispatches the goods.

List of zero-rate supplies:

- Exports outside the European Union
- Supplies of gold to the system of central European Banks and Central European Bank
- Goods and services intended for diplomatic and consular institutions, international organizations and their representatives, also staff and family members of those entities
- Supplies to charities
- Modification, modernization, supply and hiring of sea-going vessels and aircrafts
- Intra-Community (EU) supplies
- Insurance and fiscal services related to the export of supplies
- Services of transportation and additional or related services to it

VAT registration

The obligation to be identified for VAT purposes, calculate VAT and pay it to the budget is applied to the taxable persons who are supplying goods and services within the territory of Lithuania, with the exception of goods (services) when VAT is paid by the purchaser.

A person who is obliged to be identified for VAT purposes, must file an application to be identified for VAT purposes. In derogation to this, a taxable person of the Republic of Lithuania does not need to file an application to be identified for VAT purposes, nor calculate VAT if the total amount of consideration for supply of goods and/or services in performance of economic activities during previous 12 months has not exceeded 45 000 EUR. This exception does not apply if new means of transport were supplied to other Member States.

Calculation of VAT must commence from the month during which the above mentioned threshold was exceeded. VAT shall not be calculated for payment for supply of goods and services when the payment does not exceed 45 000 EUR. When calculating the amount of 45 000 EUR, the following payments shall not be taken into account:

- 1) Payment for supply of goods and/or services, when VAT for purchase of import of such goods (services) shall not be deductible following the provisions of the Art. 62(1) of the Law on VAT and when the taxable person is a registered VAT payer;
- 2) Payment for supply of long-term assets used in the economic activities of the taxable person;
- 3) Advanced payments;
- 4) Payment for supply of real estate objects and supply of financial services indicated in the Art. 28 of the Law on VAT, when the transactions are sporadic and the taxable person does not, as a rule, engage in this type of activity.

A threshold of 45 000 EUR is not applicable to foreign taxable persons.

A foreign taxable person must be identified for VAT purposes through a subdivision within the territory of the country and where there is no such subdivision, through an appointed fiscal representative in the Republic of Lithuania. The requirement to appoint a fiscal representative shall not apply to taxable persons established in other Member State who may be identified for VAT purposes directly. A foreign taxable person does not need to be identified for VAT purposes if, within the territory of the country, he is engaged only in the following activities:

- 1) Supply of goods and/or services which is exempt from VAT;
- 2) Supply of goods and/or services which, under the Law on VAT, are not subject to VAT;
- 3) Supply of goods and/or services where 0% VAT is applied.

Failure to file an application to be registered as VAT payer or refusal to be identified for VAT purposes shall not release a taxable person from the obligation to calculate VAT.

VAT refunds

Excess VAT and VAT difference arising in respective tax period can be refunded (included) following the provisions of the Art. 87 of the Law on Tax Administration. VAT may be refunded, if the following conditions are met: *1) VAT payer has paid all the taxes, default interest, penalties, interest for overdue tax or the payment of the above taxes, default interest, penalties has been deferred for the VAT payer; or the VAT payer has filed an application for deferral following the procedure established by the legal acts of the Republic of Lithuania; or a tax dispute is going on in respect of the above mentioned obligations; or the VAT payer has applied, following the procedure set by the Government of the Republic of Lithuania, to the Commission for Reviewing Applications of Tax Payers in Respect for Making Settlement in Shares and Property for making a settlement for these taxes, default interest and penalties in shares and property after submitting all the requisite tax returns or accounts. In cases where a tax dispute is going on in respect of the request for refund of the excess VAT amount or its portion it shall be regarded that the VAT payer does not meet the requirements.*

2) a decision to impose a penalty on the VAT payer for a deliberate violation of tax law specified in the Law on Tax Administration has not become effective or 3 years have lapsed from commission of such a violation.

The refundable amount of VAT specified may not exceed the amount specified below:

- 1) 21% VAT amount calculated on the goods and services declared during the respective tax period to which 0% VAT rate is applicable;*
- 2) 21% VAT amount calculated on the goods and services declared during the respective tax period and indicated in the Art. 58 of the Law on VAT (supply of goods to which 0% VAT rate is applicable);*
- 3) the VAT amount deducted during the tax period on acquired capital assets, with the exception of the amount of import VAT subject to the procedure of inclusion into output VAT as well as the amount of input VAT for the tangible capital assets manufactured by the taxable person;*
- 4) the VAT amount deducted during the tax period on acquired and/or imported materials, raw materials and/or services intended for the production of capital assets and/or on unfinished construction, with the exception of the amount of import VAT that was subject to the procedure of inclusion into output VAT;*
- 5) the VAT amount deducted during the tax period for purchased or imported fuels, fertilisers, seeds, fodder, pesticides and herbicides. This subparagraph shall apply only to VAT payers whose income from supplies of agricultural products and/or services during the previous calendar year made up at least 50 per cent of all income.*

Balance of the excess amount of the VAT which has not been carried forward or refunded by the end of the calendar half-year period (January – June) may be refunded to the VAT payer after the end of the half-year period provided that the VAT payer meets the conditions set above and was registered as VAT payer no later than 3 months before the end of the calendar period.

If any mistakes were made in the request for VAT return, the mistakes shall be rectified following the procedure determined by the central tax administrator. If the amount of the input/import VAT was not deducted due to a mistake but should have been deducted three or more years ago, the mistake cannot be rectified.

In addition to the above mentioned rules, it is clarified in the Law on Tax Administration that the tax overpayment may be refunded, provided that it was accrued during the current calendar year and not earlier than five preceding calendar years counting back from the date of crediting, where crediting is performed at the initiative of the tax administrator without a separate taxpayer's request, or, in the presence of the taxpayer's request, counting back from the date of submission of the request.

In case where before the submission of the request, the taxpayer performs an action evidencing his knowledge about the existence of a tax overpayment and seeks to recover it, the said time limit shall be calculated starting on the day on which the action was performed. In such case, the taxpayer must provide evidence supporting the performance of the said action to the tax administrator along with the request to refund (credit) a tax overpayment. The said time limit

shall not include the calendar year during which tax or judicial disputes were in process or mutual agreement procedures were applied under double taxation treaties concluded and brought into effect by the Republic of Lithuania or under the Convention on the elimination of double taxation in connection with the adjustment of profits of associated enterprises (90/436/EEC).

A foreign taxable person also has the right to be refunded the VAT paid in the Republic of Lithuania. The right to be refunded the VAT paid in the Republic of Lithuania is granted to foreign taxable persons established in those countries where the VAT paid (or any equivalent tax) is refundable to taxable persons of the Republic of Lithuania.

Certain requirements for foreign taxable persons shall be met in order to be refunded the VAT paid in the Republic of Lithuania. Firstly, a foreign taxable person shall have no subdivision (branch) in the Republic of Lithuania, or place of residence in Lithuania (in case of natural person) during tax period for which VAT refund was requested; and secondly, the taxable person did not pursue any economic activities in Lithuania.

According to the provisions of the Art. 118 of the Law on VAT, a foreign taxable person can request for the following VAT returns: import VAT paid in the Republic of Lithuania for the goods imported into the territory of the European Union; VAT paid by the taxable person for the goods and/service including those acquired in the Republic of Lithuania (including goods or services acquired from other Member States).

9. Excise Tax

Excise payers are owners of excisable warehouses, registered and unregistered traders as well as persons manufacturing or utilizing energy and energy products, alcohol, alcoholic drinks or tobacco for other purposes than the established one. In the case of import, the excises tax is paid by the importer, provided that the imported goods are not brought to a warehouse of excisable goods. The applicable tax base is the tax base of goods produced or imported in Lithuania.

Regarding excise tax rate for electricity 0.52 EUR per megawatt rate is applicable to the electricity used for business purposes and 1.01 EUR per megawatt rate is applicable to the electricity used for other purposes.

Excise tax shall not be paid in the following cases:

- 1) If the goods were exported according to the provisions of the Art. 19 of the Law on Excise;
- 2) If the goods are used in the activities of diplomatic and consular institutions of foreign countries;
- 3) If the goods are imported in personal luggage of natural persons (passengers) and do not exceed quantities set by the Government;
- 4) If the goods are used as reserves for ships and/or aircrafts carrying passengers or international freight;

- 5) If the goods are for the use of armed forces units of members of the North Atlantic Treaty Organization;
- 6) If the goods are for the use of international organizations recognized in Lithuania;
- 7) If the goods are imported or acquired under international treaties.

10. Lottery and Gambling Tax

As from 2009 some amendments to the Law on Lottery and Gambling Tax have been introduced. When operating lotteries, a tax rate of 5% shall be applied on the lottery and gaming tax basis. On the bingo, betting and totalizator – the tax rate of 15% shall be applied. Moreover, some fixed amounts of taxes are imposed to operating machine gaming and table games: 1) 232 EUR per machine of category A for each calendar month; 2) 87 EUR per gaming machine of category B for each calendar month; and 3) 1738 EUR per roulette, card or dice table for each calendar month.

DECLARATION OF CASH

General aim

The general aim of the Law on Money laundering and terrorist financing is to prevent the money laundering according to the UN Convention against Transnational Organized Crime and Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

Thresholds for declaration

A natural person shall declare the cash when crossing the border if the amount is equivalent to 10 000 EUR or more. The following financial means are considered as cash: (i) banknotes and coins, (ii) checks, promissory notes, money orders and other negotiable instruments either in bearer form or in such form that title on the instrument passes upon delivery; (iii) incomplete instruments (including checks, promissory notes, money orders) signed but with the payee's name omitted.

Procedure of declaration

The declaration forms are issued by the Government. The declaration among other includes information on the origin of cash, the aim of use of the cash and the receiver of cash. The Customs Board controls and manages the declarations with the exception of cases when Customs institutions are held responsible for declarations and control.

Penalties

Penalties for non-compliance with the requirements of declaration of cash are provided in the Code of Administrative Offences and Criminal Code provide. If a person crosses the border of Lithuania without declaring cash or provides a false declaration, a person may be fined 290 – 870 EUR. It shall be noted that the cash can be confiscated upon the decision of respective authority. A repeated violation is fined 870 – 2900 EUR. In case the amount of undeclared cash exceeds 94 203 EUR, the penalty imposed vary from individual fine set by Court to up to 8 years of imprisonment.

ACCOUNTING AND AUDITING

1. General information

The Law on Financial Accounting and the Law on Accounting and Annual Financial Statements of Legal Persons with Limited Liability are the basic laws, which regulate bookkeeping and financial reporting in Lithuania. Both laws are based on the 4th and 7th EU directives.

In addition, the Law on Audit was adopted by the Parliament on June, 1999.

Law on Accounting

The Law on Financial Accounting outlines the basic principles and rules, which must be followed in accounting records, stocktaking and annual reporting. The accounting records shall be confirmed by supporting transactions documents which shall contain definite date for the parties, etc.

The law applies to all enterprises, regardless of the type of entrepreneurial transactions, which they undertake or of the property they possess. It also applies to foreign-owned permanent establishments (subsidiaries, departments), as well as to all institutions and organizations which are financed from the state and municipal budgets, to all public organizations, their associations, foundations with limited number of participants, religious organizations, trade unions, individual merchants and all individuals.

Law on Financial Statements of Enterprises

The Law on Financial Statements of Enterprises applies to all limited liability profit-seeking enterprises that are registered in Lithuania, irrespective of the type of commercial transactions they undertake or of the property they possess. In addition, the law does not apply to banks or to credit institutions and insurance companies, farming activities, which are regulated by special legal acts. In respect of financial institutions, the laws and other legal acts regulating pursuit of their activities may set forth additional requirements regarding financial reports.

Financial reports must be drawn up to give a true and fair view of an entity's assets, equity, liabilities, income and expenditure as well as cash flows.

2. Accounting and annual financial reporting

Accounting records

According to laws, accounting records shall clearly display the transactions and financial results of a company, and it shall give a true and fair view of its financial position. The records shall be kept in such a manner as to enable any person who is qualified in accounting to clearly identify the financial position of a company as well as the business transactions made in a given period of time, and to enable the person to ascertain both the beginning and the sequence of each transaction. The accounting principles addressed in the Law on Financial Statements of Enterprises are those of going concern, consistency, continuity, clarity, truthfulness, comprehensiveness, the accrual method of accounting, and the historic cost principle.

The measure of value must be a monetary unit of the Republic of Lithuania, and Lithuanian shall be used as the language of accounting. If a partner in the economic entity is a foreign individual or a legal entity (registered company), a second language, which has been agreed upon by the parties and is acceptable to the auditors, may be used. All the codes, abbreviations, separate letters and symbols used in accounting records shall be explained. Usually double entry system should be used for companies.

The accounting records and all the confirming documentation shall be stored in Lithuania. Each entry in the accounting ledger must be confirmed by a document justifying that entry. A justifying document shall contain: the name of the company; the number under which the company is registered with the registration authorities; the name, number and date of the document; the description and justification of the business transaction; the measures of the operation (quantity, sums) and signatures of persons responsible for the execution of the transaction and the correctness of the information presented. The additional requirements for specific documentation may be foreseen.

The information and data which shall be included in an annual report are not classified as a commercial secret of the company. All the other information included in the accounting records is considered to be a commercial secret. Company's secret information shall be disclosed to the auditors, to the tax administration reviewing the declared taxes, as well as to the other state institutions in accordance with the procedures provided for by the legislation.

The accounting period shall cover 12 months. Usually, the beginning and the end of an accounting period concurs with the calendar year, however this period could be different if the company's Articles of Association provides so. The companies, which form part of a group, shall have the same accounting period.

Reporting requirements

An annual report, as a whole, consists of a balance sheet, a profit and loss statement, a cash flow statement, and statement on changes in equity, explanatory notes, and other relevant information, the management report and auditor's report and should be in accordance to the Law on Financial Accounting and the Law on Financial Statements of Enterprises. The annual report shall give a true and fair view of the company's assets, and of its liabilities and financial results, and must be written in Lithuanian and the monetary unit of the Republic of Lithuania shall be used as a measure of value.

All the items in the annual report shall be valued according to the following accounting principles:

- the principle of an entity: every entity drawing up financial reports shall be considered a separate accounting unit. The assets, equity and liabilities, income and expenditure of such an entity alone shall be accounted;
- an entity's going concern principle (the period of activities of an entity is unlimited);
- periodicity: as regards the handling of accounting, activities of an entity shall be divided into financial years or the reporting periods of other duration at the end whereof financial reports shall be drawn up;
- consistent accounting methods: an accounting method may be changed only in order to give a fair view of an entity's assets, equity, liabilities, income and expenditure as well as cash flows for the reporting period;
- monetary measurement: the entire assets, equity capital, liabilities, income and expenditure as well as cash flows of an entity shall be expressed in financial reports in money terms;
- accrual-based accounting: economic operations and economic events shall be accounted after they take place and are presented in the financial reports of those reporting periods regardless of whether cash is received or disbursed. According to the principle of accrual-based accounting, income shall be recorded in the period in which it is earned and expenditure – in the period in which it is incurred;
- comparability: the income of an entity earned over the reporting period shall be related to the expenditure incurred in order to earn the income. Financial reports must be drawn up so that users of the information of financial reports could compare the information presented therein with the information of other reporting periods and the information presented by other entities and correctly assess changes in the financial condition of an entity, performance and cash flows thereof. Financial reports must contain the information of the reporting year and at least one preceding financial year;
- principle of prudence: an entity shall select the accounting methods such as cannot unreasonably increase or unreasonably reduce the value of the entity's assets, equity and liabilities as well as income and expenditure;
- neutrality: accounting information shall be presented in an unbiased manner. Presentation thereof should not affect the decisions taken by users of the information of financial reports, and it should not be aimed at a pre-set result;

- precedence of content over form: economic operations and economic events shall be accounted according to their content and economic substance and not merely according to their legal form.

These reporting conditions may be disregarded in exceptional cases. Any such deviation shall be explained in the notes, indicating its effect on the assets, liabilities and financial results of a company.

Consolidated reporting

Consolidated reporting is regulated by the Law on Consolidated Financial Statements of Enterprises. An entity having one or several subsidiary undertakings must draw up consolidated accounts. The accounts of a parent undertaking and all subsidiary undertakings thereof must be consolidated regardless of where the registered offices of the subsidiary undertakings are situated. An entity which is a subsidiary undertaking of a subsidiary undertaking of a group of undertakings shall be considered a subsidiary undertaking of a parent undertaking of the group of undertakings, and accounts thereof must be consolidated.

A parent undertaking shall be exempted from the obligation to draw up consolidated accounts where the indicators of its group of undertakings do not exceed at least two of the following limits: 1) net turnover (without deducting intra-group sales) –8 695 652 EUR; 2) the total value of assets specified in the balance sheet (without deducting intra-group transactions) –5 217 391 EUR; 3) average number of pay-roll workers during the year – 75. Other exemptions when a parent undertaking and a subsidiary undertaking do not have to draw up consolidated reporting are set in the Art. 5 and Art. 6 of the Law on Consolidated Financial Statements of Enterprises.

A consolidated annual report must include:

- 1) *a fair review of a group of undertakings' position, the performance and development of the group of undertakings' business, a description of the principal risks and uncertainties that it faces;*
- 2) *analysis of financial and non-financial performance of the group of undertakings, information relating to environmental and employee matters;*
- 3) *references to and additional explanations of the data presented in consolidated accounts;*
- 4) *the important events which have occurred since the end of the preceding financial year;*
- 5) *operating plans and forecasts of the group of undertakings;*
- 6) *information about activities of the group of undertakings in the field of research and development;*
- 7) *the number and nominal value of the shares of the parent undertaking owned by the undertaking, subsidiary undertakings thereof or the persons acting in their own name, but on behalf of the undertakings;*
- 8) *where the group of undertakings uses financial instruments and where this is of importance for the evaluation of the group of undertakings' assets, equity capital, liabilities, financial position and performance, the group of undertakings shall disclose financial risk management objectives, its policy for hedging major types of forecasted transactions for which hedge*

accounting is used, and the group of undertakings' exposure to price risk, credit risk, liquidity risk and cash flow risk.

An entity drawing up a consolidated annual report may present its annual report and the consolidated annual report as a single report. In drawing up such a single report, it may be appropriate to give greater emphasis to those matters which are significant to a group of undertakings. The preparation of the annual report of a group of companies requires the application of the same accounting principles in all companies of the group in order to reflect their business transactions in the same manner.

Statutory audit of financial statements

In the event that consolidated reporting is required, the annual reports shall be audited by a certified auditor.

A certified auditor shall submit a report on the audit results in writing. The auditor's report shall specify in particular, the following:

- whether the annual report and the management report of the company or a group of companies have been prepared according the law;
- whether the annual report gives a true and fair view of the assets, liabilities and financial results of the respective company at the end of the reporting year, as well as of the profits and losses during the reporting year;
- whether the legal representatives of the company have given all the required information and explanations to the auditor.

Publication of annual reports

The approved annual financial reports and the annual report together with an auditor's report (in the cases when audit has been carried out or must be carried out according to the law) is published in the Legal Entities Register in the cases and in accordance with the procedure set forth by laws and other legal acts. The published annual financial reports and the annual report must be reproduced in the form and text on the basis of which an auditor has drawn up his report.

Other reports and submission deadlines

In Lithuania there is no unified system of reports that shall be submitted to the Tax inspectorate. Depending on the particular activities of the company itself the most common reports are the following:

- 1) Reports that shall be submitted annually: reports on corporate income until 1st of June; report on immovable property until 1st of February; report on income tax of individuals shall be submitted annually;

- 2) Reports that shall be submitted every half a year: report for mobile and stationary pollution shall be submitted in the period of 60 days counting from the end of taxable period;
- 3) Reports that shall be submitted on the monthly basis: report on VAT until 25th day of every month;

The Centre of Registers requires submission of the following documents:

- 1) Documents on Financial Statements: balance, report on profit (losses), report on money transfers, report on owned capital changes, explanation letter;
- 2) Annual report (activities report of the company);
- 3) Audit conclusion and audit report.

The Financial documents, have to be approved by the company's shareholders within 4 months from the end of financial year and submitted to the Centre of Registers within one month after the approval.

COMPETITION

The Law on Competition

Competition is regulated by the Law on Competition of March 22, 2012. The rules regarding Prohibited Agreements, Dominant Position, Concentration (merger control) and the Unfair Competition are provided in the Law on Competition.

The Competition Council

The Competition Council is established as institution that implements the state competition policy, supervises compliance with the Law on Competition and observes competition relations in Lithuania. This institution controls the way enterprises, Government and Municipality institutions follow the provisions and requirements of the Law on Competition. In addition, Competition Council establishes criteria of dominant position in the market, estimates a share of market of every subject. The Competition Council analyzes acts of Government and Municipality institutions, investigates acts of unfair competition, and demands to change or to recall legal acts which restrict competition. However, the Competition Council has the right to refuse of investigation when there is insufficient proof of violation, the activities are harmless and the arguments provided are irrelevant. The Court can recall decision of the Competition Council.

Concentration

The Competition Council passes decisions on concentration.

Concentration is merger when one or more legal entities are joined into an undertaking or when a new undertaking is established out of two or more undertakings. Concentration also occurs when one or more undertakings gain control over another undertaking by acquiring an enterprise or a part thereof, all or part of assets, shares or other securities, voting rights. Market participants who have decided to merge shall, prior to the merger, submit a notification to the Competition Council. The common income of the participants during the previous financial year shall be more than 14,5 million EUR and each of the legal entities have more than 14,5 million EUR of income.

In case of concentration it is obligatory to inform the Competition Council and to get permission to perform concentration.

The Competition Council does not have the right to issue a permission on concentration when concentration results in creation of a dominant or strengthened position in the market.

Dominant position

Dominance of one or several entities restricts competition in the market. Dominant position means that the position of one or more undertakings in the relevant market is facing no direct competition or enables it to make unilateral decisive influence in such relevant market by effectively restricting competition. Unless proved otherwise, the undertaking with the market share of not less than 40% shall be considered to have a dominant position in relevant market. In addition, each group of three or less undertakings with the largest share of the relevant market, jointly holding 70% or more of the relevant market share shall be considered as having a dominant position.

When it comes to retail, dominant position is considered when one undertaking has not less than 30% of market share. Moreover, each group of three or less undertakings with the largest share of the relevant market, jointly holding 55% or more of the relevant market share shall be considered as having a dominant position in retail.

Prohibition to abuse Dominant position

It shall be prohibited to abuse a dominant position by carrying out actions which restrict or may restrict competition, limit without cause the possibilities of other undertakings to act in the market, or violate the interests of consumers, including:

- *Direct or indirect imposition of unfair prices or other purchase or sale conditions;*
- *Limitation of trade, production or technical development to the prejudice of consumers;*
- *Discriminatory treatment of equivalent transactions with certain undertakings, thereby placing them at a competitive disadvantage;*
- *Making the conclusion of contract subject to acceptance by the other party of supplementary obligations which, by their commercial nature or usage, have no connection with the subject of such contract.*

Unfair Competition

Undertakings shall be prohibited performing any actions contrary to honest business practices if such acts may be detrimental to competition interests of another undertaking. The undertaking legitimate interests which are violated by actions of unfair competition shall be entitled to bring an action in court seeking:

- *Terminate of illegal actions;*
- *Recovery of the damages;*
- *Imposition of the obligation to make one or several statements of a certain content or form, denying the previously submitted incorrect information or giving explanations as to the identity of the undertaking or its goods;*
- *Seizure and destruction of the goods, their packaging or attributes, directly relating to unfair competition, unless infringements can be eliminated otherwise.*

Prohibited Agreements

The Law on Competition prohibits and proclaims null and void all agreements that have been entered into with the purpose of restricting competition or which may restrict competition. Actions, which restrict or may restrict competition, are:

- *The fixing of the price directly or indirectly;*
- *The sharing the product market on a territorial basis, according to groups of buyers, suppliers or in any other way;*
- *The fixing of the production volume for certain goods, restriction of investments or technical development;*
- *Application of discriminating conditions to equivalent transactions with individual undertakings, thereby placing them at a competitive disadvantage;*
- *Conclusion of contract where the other contracting party shall undertake subsidiary obligations which, by their commercial nature or usage, have no connection with the subject of the contract.*

Fines

1. A fine of up to 10% of the gross annual income in the preceding business year shall be imposed by the Competition Council for:
 - *Conclusion of agreements prohibited by the Law on Competition;*
 - *Abuse of dominant position;*
 - *Putting into effect of a notifiable concentration without the permission of the Competition Council, continuation of concentration within the period of its suspension, as well as infringement of concentration conditions or mandatory obligations established by the Competition Council.*

A fine of up to 3% of the gross annual income in the preceding business year may be imposed by the Competition Council for actions of unfair competition.

2. A fine of up to 1% of the gross annual income in the preceding business year may be imposed by the Competition Council for:
 - *Failure to provide information required for investigation or examination of concentration;*
 - *Provision incorrect and incomplete information;*
 - *Obstruction of officers of the Competition Council to enter and check the premises, to inspect or take any documents and articles having probative value in the investigation of the case.*
3. A fine of up to 5% of the average gross daily income may be imposed on undertakings in the event of failure to satisfy obligations of the Competition Council for each day of continuation of infringement; to perform actions restoring previous situation or eliminating the consequences of infringement, also for failure to fulfill the instructions to provide information in a timely manner.

While determining the amount of a fine to the following conditions shall be taken into account:

- *The gravity of the infringement;*
- *Duration of the infringement;*

- *Circumstances extenuating or aggravating the liability of an undertaking;*
- *Influence of each undertaking, if the infringement has been committed by several undertakings.*

The decision of the Competition Council may be appealed to the administrative court.

IMMIGRATION AND RESIDENCY

Any European Union citizen is free to stay in the Republic of Lithuania for a period up to 3 months within half a year. If the person wishes to stay in the Republic of Lithuania longer, he or she should declare his place of residence in Lithuania. It should be noted that a citizen European Union has the right to bring their family members to Lithuania. If family members of the citizen of European Union are citizens of a third country and are coming for more than 3 months in the period of one year, they have to receive a residence permit.

Residency and Work Permits

Non-European Union citizens, willing to engage in certain activities in Lithuania like studies or work must apply for and receive a temporary residence permit. If a temporary residence permit on studies is issued, non-European citizen enjoys the right of possible part-time work (which according to the Labor Code is not more than 20 hours per week). Depending on the reasons of staying in Lithuania, temporary residence permit may be issued for a period not longer than 5 years through the local migration office.

Regarding the work permit, Lithuanian registered enterprise may employ a foreigner if he (she) has a valid work permit issued by the Lithuanian Labor Exchange. However, there are certain exceptions. Citizens of the EU, foreigners holding a permit for permanent residence, foreigners who retained their right to the citizenship of the Republic of Lithuania, foreigners of the Lithuanian origin and foreigners who have received their residence permit on the basis of family reunion or who are employees of high qualification, do not require a work permit. Other exceptions are provided in the Law on Legal Status of Aliens.

Possession of a temporary residence permit may grant a right to obtain the work permit. A temporary residence permit is issued for the period of the work permit (up to 2 years). The work permit is not required for persons who work as a head of the company registered in Lithuania.

Employment of non-European Residents

There is a certain procedure which shall be applied in the cases of employing a foreigner. One month prior employment a Lithuanian registered enterprise must register free working place at the local labor exchange and apply for the issue of a work permit. In the cases when the company established in the Republic of Lithuania is under bankruptcy the right to apply for the work permit is not possible. The procedure goes as follows: a local Labor Exchange office examines the application, if a positive decision is reached, local Labour Exchange office the documents to the Lithuanian Labor Exchange, which issues a work permit to the foreigner. The application, depending on qualification of the future foreign employee may take from one to two months. If the application is approved, work permit for a foreign employee will be valid for 2 years.

It shall be noted that if a company is willing to hire a high qualification employee, there are different requirements. High qualification employee shall have a university degree (or other type of degree comparable to a university degree) and the monthly salary for such employee shall be not less than an average brute salary in Lithuania multiplied by 2. A company shall register free

working place at the local labour exchange 14 days prior to application for work permit. The deadlines for processing the application are much shorter: local labour exchanges examines the application within 7 days, Lithuanian Labour Exchange issues a work permit within 7 days. Within 3 days Lithuanian Labour Exchange informs Migration Department that work permit has been issued and sends an electronic copy of the permit.

Residence permit costs and requirements

When issuing an alien a residence permit for the first time, the alien will usually be issued a temporary residence permit.

An alien who applies for the first time for the issue of a residence permit shall lodge an application for the issue of a residence permit with the diplomatic mission or consular post of the Republic of Lithuania abroad.

A temporary residence permit for one year may be issued to an alien who intends to engage in lawful activities in Lithuania, provided that the alien:

- 1) Is a sharer in the company, which carried out the activities referred to in its Articles of incorporation for at least the last 6 months prior to the alien's application for the issuance of a temporary residence permit, which has registered at least three full-time workplaces and which has the authorized capital (assets) of at least 28,000 EUR, of which not less than 14,000 EUR is alien's investments in the company. The alien shall hold the position of head of collegial or supervisory body, a sharer who has the right to enter into transactions on behalf of the company, or a shareholder, who owns a part of company's shares which is equal to nominal value of 1/3 of the share capital of the company;
- 2) Is a CEO or a member of management or supervisory board of the above mentioned company and the main purpose of coming to Lithuania is to work in this company;
- 3) Is exempt from the requirement to obtain a work permit according to the Art. 58 (2) of the Law on the Legal Status of Aliens.

A temporary residence permit for an alien who is engaged in lawful activities in Lithuania will be issued for the period of one year. A repeated residence permit will be issued for the period of two years. If an alien has invested at least 260,000 EUR in the company and the company has at least five full-time workplaces, a temporary residence permit shall be issued for the period of three years.

Prior to the issuance of the temporary residence permit, the activity of the company will be evaluated in order to decide if the company is not fictitious.

The person shall have at least 300 EUR per month (3600 EUR per year) of income and a place of residence in Lithuania (registered rent agreement or written consent of the owner is required).

State fee for document administration is 86 EUR, 172 EUR for accelerated procedure and 28 EUR for formalizing a temporary residence permit (56 EUR for accelerated procedure); 60 EUR for the issuance of visa.

Requirements for accommodation

According to the wording of the Art. 26 of the Legal Status of Aliens, a temporary residence permit will only be issued in case when an alien has an accommodation where he (she) intends to declare his (hers) place of residence and when the accommodation meets hygiene requirements, construction and fire safety regulations. The living space in such accommodation shall be not less than 7 square meters per person. It shall be noted that the living space will be calculated by dividing the total area from the number of adult inhabitants which have declared their place of residence under that address.

If a temporary residence permit is issued to an alien who is going to study, minimum living space requirement per person shall be at least 4 square meters.

Minimum living space requirement will not be applicable to a foreigner if his (hers) job involves constant commuting on international routes or if the employer will send the foreigner to work under a service contract to another EU or European Free Trade Association member state.

The Schengen Area

In 2007, the Council of Ministers of Justice and Internal Affairs of the European Union (EU) adopted the decision on the accession of nine new states — Lithuania, Latvia, the Czech Republic, Estonia, Poland, Malta, Slovakia, Hungary and Slovenia — to the Schengen area. From December 21, 2007 these nine states abolished checks on persons at internal land borders and from March 30, 2008 - checks on persons at air borders within the Schengen area.

Today the Schengen area is composed of 25 states:

- 28 EU member states: Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden and United Kingdom.

- 3 non-EU states: Iceland, Norway and Switzerland. From December 12, 2008 Switzerland abolished checks on persons at internal land borders within the Schengen area and from March 29, 2009 will abolish check on persons at air borders within the Schengen area.

Citizens of the 25 states that belong to the Schengen area have equal rights to travel without visas and border control.

The EU Member States Ireland, Bulgaria, the United Kingdom, Cyprus and Romania do not belong to the Schengen group. The United Kingdom and Ireland still keep control on borders with other EU states (but they are committed to provide police and legal cooperation in criminal cases).

The Schengen group requires only one visa. This means that a person wishing to travel anywhere in the Schengen area needs to get only one visa.

Schengen Visas

Visas are issued at diplomatic missions or consular offices of the Republic of Lithuania abroad.

In order to get a visa an alien must submit:

- a valid travel document;
- an established form of application for Schengen Visa;
- one photo of 35x45 mm, corresponding to the age of an alien;
- the receipt of the paid consular fee which is 60 EUR;
- a valid document certifying his/her health insurance;

In order to get a short-stay visa an invitation letter of a natural or legal person of the Republic of Lithuania for temporary arrival to the Republic of Lithuania contrived by a migration office of the police commissariat must be submitted.

For extension of visa a 30 EUR state fee shall be paid.

An alien possessing a short-stay visa may enter and stay within the Schengen area for the time period established in the visa but no longer than 90 days in any 180-day period from the first day of entry.

Free-Visa Travelling

Citizens from the following countries may enter Lithuania without visa:

Albania (for holders of diplomatic passport only); Andorra; Argentina; Armenia (for holders of diplomatic passport only); Australia; Austria; Belgium; Brazil; Bosnia and Herzegovina (for holders of diplomatic passport only); Brunei Darussalam; Bulgaria; Canada; Chile; China (for holders of diplomatic and official passport only); Costa Rica; Croatia; Cyprus; Czech Republic; Denmark; Estonia; Finland; France; Germany; Guatemala; Greece; Honduras; Hong Kong Special Administrative Region (for holders of Hong Kong Special Administrative Region passport only); Hungary; Iceland; Ireland; Israel; Italy; Japan; Korea (South); Latvia; Liechtenstein; Luxembourg; Macau Special Administrative Region (for holders of Macau Special Administrative Region passport only); Macedonia (for holders of diplomatic passport only); Malaysia; Malta; Morocco (for holders of diplomatic passport only); Mexico; Moldova (for holders of diplomatic passport only); Monaco; Montenegro (for holders of diplomatic passport only); Netherlands; New Zealand; Nicaragua; Norway; Panama; Paraguay; Poland; Portugal; Romania; Russia (for holders of diplomatic passport only); San Marino; El Salvador; Serbia (for holders of diplomatic passport only); Singapore; Slovakia; Slovenia; Spain; Sweden; Switzerland; Turkey (for holders of diplomatic, official and special passports only); Ukraine (for holders of diplomatic and official passport only); United Kingdom; United States; Uruguay; Vatican City (Holy See); Venezuela.

Under this regime, foreigners from these countries may stay in Lithuania without visa for up to 90 days within 180-day period, counting from the day of entry.

INTELLECTUAL PROPERTY

1. Legal framework of intellectual property

The following legal acts are the basis for intellectual property issues in Lithuania:

- PATENT LAW OF THE REPUBLIC OF LITHUANIA
- LAW ON TRADEMARKS OF THE REPUBLIC OF LITHUANIA
- DESIGN LAW OF THE REPUBLIC OF LITHUANIA
- THE LAW ON COPYRIGHT AND RELATED RIGHTS
- REGULATION OF PATENT ATTORNEYS
- LAW ON THE LEGAL PROTECTION OF TOPOGRAPHIES OF SEMICONDUCTOR PRODUCTS OF THE REPUBLIC OF LITHUANIA
- LAW ON FEES FOR THE REGISTRATION OF INDUSTRIAL PROPERTY OBJECTS
- COMMON REGULATIONS UNDER THE MADRID AGREEMENT CONCERNING THE INTERNATIONAL REGISTRATION OF MARKS AND THE PROTOCOL RELATING TO THAT AGREEMENT
- THE PROCEDURE EP/01/2006 FOR THE FILLING OF EUROPEAN PATENT APPLICATIONS AND FOR THE EFFECTS OF EUROPEAN PATENTS IN THE REPUBLIC OF LITHUANIA, APPROVED BY DIRECTOR OF THE STATE PATENT BUREAU OF THE REPUBLIC OF LITHUANIA (Order No.3R-29 of April 24, 2006)

2. Patents

General principles

The Patent Law of the Republic of Lithuania was passed on 18 January 1994, a new edition of it came into force on 3 February 2012. The law contains provisions relating to the patentable subject matter, the subjects of patent rights, and the procedure for granting patents international applications under the Patent Co-operation Treaty, the European patent extension to Lithuania, the functions of the Lithuanian Patent Bureau, and the rights derived from patent. It also deals with the infringement of patents, the exploitation and licensing of a patent and the enforcement of patent rights.

Patentable subject matter

A patent is granted according to the patent application, which is submitted to the State Patent Bureau. Patents are available for any inventions in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application.

Non-patentable objects are discoveries, scientific theories, mathematical methods, designs of products, schemes, rules and methods of games, intellectual or economic activities, as well as programs for computers, presentations of information, the human body or its element, including the sequence or partial sequence of a gene, at the various stages of its formation and development. Also, inventions, which are methods for treatment of the human or animal body by surgery or therapy, and diagnostic and prophylactic methods practiced on the human or animal body. Additionally plant or animal varieties or essentially biological processes for the production of plants or animals (except microbiological processes), inventions the commercial exploitation of which would be contrary to public interests, principles of morality and humanity. Decisions to refuse to grant patents may be adopted merely because the exploitation of such inventions is prohibited by laws or other legal acts.

Generally, the patentability criteria in Lithuania correspond to those, set by the European Patent Convention. The Lithuanian Patent Bureau performs examination of a patent application, it checks the conformity of the invention to the provisions of patentability indicated in the Patent Law. However, Lithuanian Patent Bureau does not check if an invention provided in the application infringes the rights of other patent owners. After a preliminary examination is performed, the invention is published, and third parties may turn to Vilnius County Court for the claims regarding patents. Generally, disputes are solved depending on the matter itself. Disputes regarding the patenting and the use of inventions shall be dealt with by the following institutions:

- 1) the Board of Appeals of the State Patent Bureau, in respect of all disputes relating to the patenting of an invention prior to the patent grant;
- 2) the Vilnius County Court, in respect of disputes regarding: decisions of the Appeals Division of the State Patent Bureau; assignment of a patent application or the patent ownership to a different person; annulment of a granted patent in full or in part; infringement of a patent application for which temporary protection is granted; infringement of a granted patent; declaration of non-infringement of a patent; granting, revocation and change of conditions of the licenses; and revocation of a patent.

Exclusive rights

The exclusive rights to patents are effective from the date they are granted and expire no later than twenty years from the filing date. The exclusive rights may be ceased prior to the expiration of twenty years from the filing date by a court decision, or as a consequence of the failure to pay the patent maintenance fee.

Where the subject matter of a patent is a product, the owner of the patent shall have the exclusive

right to prevent third parties not having the owner's consent from the acts of making, using, offering for sale, selling, importing or exporting that product. It also bestows upon the owner the right to use the patented process and to offer it for sale, to put it into economic circulation and to import or stock the patented product for the above-mentioned purposes, a product that is obtained with a patented process.

Fair use

The extent of exclusive rights is determined by the claims of the patent taking into account substance of the invention. The fair-use doctrine is applicable to exclusive patent rights. Exclusive rights are not extended to the use of the patented subject for non-profit purposes, scientific experiments or research as well as the testing of a patented invention and preparation of medicine and in pharmacy in exceptional cases as prescribed by a doctor, the exploitation of patented product after the first sale and to the construction of any foreign means of transport which temporarily enters Lithuania.

The Government of Lithuania may adopt a resolution to permit a State or municipal institution, natural or legal persons to market, without the consent of the owner of a patent, a patented invention within the territory of Lithuania, if:

- 1) an invention protected by a patent is related to public needs, national security and public health protection, development of economically important sectors;
- 2) the court determines that a method of the exploitation of an invention employed by the owner of a patent or licensee is anti-competitive.

European patent extensions

A European patent, which has been extended to Lithuania, has the same effect as a domestic patent, except that the exclusive rights are terminated no later than twenty years from the date on which the Lithuanian Patent Bureau has received the application of registration of the European patent. A patent owner can extend European patent by submitting an application issued by the Lithuanian Patent Bureau, translation of patent claims into Lithuanian language and paying state fee.

3. Trademarks

General principles

The legal status of trademarks in Lithuania is determined by the Law on Trademarks of October 10, 2000. The law has provisions relating to the procedure for trademark registration, for the use of a trademark, the expiration of trademark, and the applicability of international agreements.

A trademark is used in order to distinguish the goods and services of one enterprise from those of another enterprise. Trademarks may consist of words, letters, numbers, first names and surnames, graphics, three-dimensional shapes, light signals or of any combination of the above-mentioned items. Trademark basically means any sign capable of distinguishing the goods or

services of one person from those of other persons and capable of being represented graphically as well a service mark shall also be treated as a trademark.

Exclusive rights

A registered trademark gives the owner the exclusive right to use the trademark and to transfer the associated rights, as well as to prohibit others from using the mark and similar marks in relation to goods in respect of which the mark is registered and in relation to similar goods, if the use of this mark is likely to confuse consumers or create association. A registered trademark is valid for ten years from the date of filing of the application. After expiration of the term, registration may be renewed continuously. Well-known trademarks are protected in Lithuania without registration and only by judicial decision on the recognition of the mark as well-known. Currently in Lithuania all the well-known trademarks are registered in Lithuanian Patent Bureau.

Criteria for registration

Certain signs or words may not be registered as trademarks, namely those which reproduce the names of firms and products which are well-known in Lithuania, as well as marks which reproduce trademarks belonging to any other person and are well-known in Lithuania or similar trademarks if there is a likelihood of confusion or association, even if the trademarks are not registered in Lithuania.

The registration of a trademark is done by filing a trademark application to the Lithuanian Patent Bureau. After preliminary and substantive examination, the mark is published, and third parties may to submit oppositions against the registration of the mark within 3 months of the date of publication. State Patent Bureau's decision may be appealed within 6 months period to the Vilnius County Court. The application for registration of mark shall consist:

- 1) *A request for the registration of a mark and issuance of the trade mark certificate signed by the applicant or his representative*
- 2) *A document certifying payment of the fixed fee*
- 3) *The power of attorney given to a person where the application is filled by an authorized person*
- 4) *A request to be granted priority*
- 5) *A permit issued by competent authorities under subparagraphs 8 and 9 of paragraph 1 of Article 6 of Trademark law*
- 6) *Regulations governing the use of a collective mark*
- 7) *Consent of the owner of the rights according the subparagraph of paragraph 1 of Article 7 of Trademark law*

Enforcement

The law sets forth the legal procedure for enforcing the trademark rights. The owner of the trademark is entitled to initiate litigation against any infringing use of the trademark by a third party and to make a claim to terminate the infringing use. The owner may also seek an indemnity

for incurred losses (compensation), by demanding that the infringing packaging be changed, or he may seek the destruction of the infringing goods or the delivery of the infringed goods to the owner of the trademark.

4. Designs

Pursuant to the Law on Designs, industrial designs are considered the external appearance of an object, which has been created as a result of an artistic design. It is interpreted that design engages the appearance of the whole or a part of a product resulting from the features of the product itself and/or its ornamentation, in particular, the lines, contours, colors, shape, texture and/or materials.

The owner of a design has exclusive rights to industrial design. The holder of a registered design enjoys the exclusive right to use it and to allow or prevent any other persons not having his consent from making, offering for sale, selling, putting on the market, importing, exporting, stocking and using any products or their parts, if the overall impression their design produces on an informed user differs from that produced on him by the registered design. The designer of the article has moral rights of non-transferable paternity as an author of the design. The patent of design is valid for five years. Validity of the registration of a design may be renewed four times for a period of five years each, up to a total term of 25 years from the date of filing of the application.

A design can be registered by filing an application to the Lithuanian Patent Bureau. A design may be registered if it has individual character and is new. Non-registrable subject matters comprise the external appearance of the article only if it is predetermined by the technical functions of the article, if a design incorporates the official or traditional (abbreviated) State name of the Republic of Lithuania, armorial bearings, flag or other State heraldic objects, or any mark imitating them, also warranty signs and hallmarks, stamps, decorations or badges of awards, unless the authorization for their use in a design has been issued according to the established procedure by an institution authorized by the Government of the Republic of Lithuania.

After the application is filed the Patent Bureau performs an expertise of the application and design. Namely, the Patent Bureau checks if there are no obstacles to register the design according to the Art. 9 of the Law on Design. After a preliminary examination is performed, the design is published and the third parties may to submit their oppositions to the registration of the patent within three months of the publication date to the Appeal Division of State Patent Bureau. State Patent Bureau's decision may be appealed within 6 month period to the Vilnius County Court.

5. Copyrights

The Law on Copyright and Related Rights of 18 May 1999 applies to copyright in literary, scientific and artistic works (copyright); the rights of performers, producers of phonograms, broadcasting organisations and producers of the first fixation of an audio-visual work (film) (related rights); the rights of makers of databases (*sui generis* rights); exercise, collective

administration and enforcement of copyright and related rights, as well as the exercise and enforcement of *sui generis* rights.

The subject matter of copyright shall include original literary, scientific and artistic works which are the result of creative activities of an author, whatever may be the objective form of their expression. The subject matter of copyright comprises the following:

- 1) *books, brochures, articles, diaries, and other literary works, whatever may be the form of their expression, including an electronic form, as well as computer programmes;*
- 2) *speeches, lectures, sermons and other oral works;*
- 3) *written and verbal works of science (scientific lectures, studies, monographs, deductions, scientific projects and documented project material, as well as other works relative to science);*
- 4) *dramatic, dramatic-musical, pantomime, choreographic and other works intended to be performed on the stage, theatrical productions, as well as scenarios and shooting scripts;*
- 5) *musical works with or without accompanying words;*
- 6) *audio-visual works (motion pictures, television films, television broadcasts, video films, diafilms and other works expressed by cinematographic means), radio phonic works;*
- 7) *works of sculpture, painting and graphic art, monumental decorative art, other works of fine art and works of scenery;*
- 8) *photographic works and other works created by a process analogous to photography;*
- 9) *works of architecture (projects, designs, sketches and models of buildings and other construction works, as well as completed buildings and other construction works);*
- 10) *works of applied art;*
- 11) *illustrations, maps, charts, projects of gardens and parks, sketches and three-dimensional works relative to geography, topography and exact sciences;*
- 12) *derivative works created on the basis of other literary, scientific or artistic works (translations, dramatizations, adaptations, annotations, reviews, essays, musical arrangements, static and interactive Internet homepages, and other derivative works);*
- 13) *collections of works or compilations of data, databases (in machine readable form or other form), which, by reason of the selection or arrangement of their contents constitute of author's intellectual creations;*
- 14) *unofficial translations of legal acts, official documents of administrative, legal or regulative nature;*

Copyright does not apply to: ideas, procedures, processes, systems, methods of operation, concepts, principles, discoveries or mere data; legal acts, official documents texts of administrative, legal or regulative nature (decisions, rulings, regulations, norms, territorial planning and other official documents), as well as their official translations; official State symbols and insignia (flags, coat-of-arms, anthems, banknote designs, and other State symbols and insignia) the protection of which is regulated by other legal acts; officially registered drafts of legal acts; regular information reports on events; folklore works.

Author's rights

Independently of property rights, the author, has inalienable moral rights. Generally, moral rights to divulgation, paternity, integrity, to respect as well as the right to correct the work are recognized. Copyrights bestow exclusive rights to the author and enable him to use the work and to derive profit from it.

Duration

A copyright is in force throughout the author's life and for 70 years after the author's death irrespective of the date when the work is lawfully made available to the public.

Fair use

Copyrights are restricted by fair use provisions. Fair use is allowed when it is a reproduction for non-commercial teaching and scientific research purposes of short published works or a short extract of a published work and the extract is made by way of illustration, in writings, sound or visual recordings, provided that this is related to study programmes and does not exceed the extent justified by the purpose; reproduction for non-commercial educational, teaching and scientific research purposes of lawfully published works in the form intended for people having hearing or visual impairment, to the extent required by the specific disability, with the exception of works specifically created for this purpose; use for the purpose of research or private study of the works kept in publicly accessible libraries, educational establishments, museums or archives, by communication or making them available to the public by dedicated terminals on the premises of the said institutions.

Related (neighboring) rights

The law specifies that related (neighboring) rights includes the performance of a work, including direct (live) performance and its sound or visual fixation, a phonogram, the first fixation of an audio-visual work (film), radio and (or) television broadcast of a broadcasting organisation.

Neighboring rights are effective for 50 years after they have been first performed or produced. The rights with respect to producers of sound recordings are effective for 50 years after the first sound recording is released. The rights of broadcasting organizations are effective for 50 years after the first broadcast by that organization.

COMPANY REGISTRATION

1. General information

The most common form of a business presence in Lithuania is a limited liability company (UAB). The minimum share capital required to establish a limited liability company is 2500 EUR which shall be paid before a company registration with the Commercial register. As an alternative, a share capital (except the minimum share capital of 2500 EUR) may be invested in kind by different assets.

Moreover, a branch engaging in business may be registered in Lithuania. Ordinary the permanent branch will be regarded as a part of a head office and will not have a legal entity status. Law that is regulating the registration of companies is the Law on The Register of Enterprises' and Company Law of the Republic of Lithuania.

A private limited liability company shall have 1 – 249 shareholders. The number of shareholders shall be determined by the founders and indicated in the Articles of Association. A private limited liability company two compulsory management bodies: general meeting of shareholders and sole governing body (director of the company, CEO or etc.). A supervisory board and management board are optional management bodies. It shall be indicated in the Articles of Association of the company, whether a company will have management board and (or) supervisory board. If a management board is elected, it shall have at least 3 members. Management board shall be elected by supervisory board and if supervisory board is not formed, election rights are passed to the general meeting of shareholders.

Following January 1, 2015 all the companies registered in Lithuania are imposed with obligation to change their share capital as the country joins the Euro zone. Several amendments have been implemented in Lithuanian legislation and it was established that the share capital as well as nominal value of the shares shall be indicated in Euros and Euro cents (if any). For this reason, the Articles of Association of each company registered in Lithuania shall be amended and submitted to the Commercial Register until December 31, 2016.

The official exchange rate EUR 1 = LTL 3.4528. The amount of the share capital shall be calculated multiplying amount of the shares by nominal value of the share capital.

The decision to change the Articles of Association of a company shall be taken by the General meeting of the shareholders following the provisions of the Law on Companies of the Republic of Lithuania. The decision shall be approved by the majority of the shareholders.

It shall be noted that a difference in the value of shares or share capital which has been caused by rounding of numbers shall not be regarded as the change of share value or share capital. Any

differences of the value of share capital shall be included in the accounting as profits (losses) of the company.

2. A private limited liability company registration checklist

- The articles of association of the company are drawn up. If the founder of the company is a single person, the act of establishment of the company must be drawn up;
- The founders may submit to the Register of Legal Entities an application (form JAR-5) for temporary inclusion of the name into the Register;
- The articles of association of the company entitle to open a cumulative account of the company in the bank;
- An initial contribution for the subscribed shares is paid. Initial contributions may be paid in money or non-monetary contributions. The amount of the initial contributions must be at least 2500 EUR;
- Prior to the signature of the articles of association of the company, the evaluation of non-monetary contributions intended payment for shares must be performed by an independent property evaluator;
- The constituent meeting is convened which must approve the report of the founder(s) of the limited liability company and elect the members of bodies of the company elected by the general meeting of shareholders.
- The company is deemed to have established upon registration thereof with the Register of Legal Entities.

Before the application for registration of the private limited liability company is submitted to the Administrator of the Register, the civil law notary must verify the correctness of the particulars entered into the application, the compliance of the statutes with the statutory requirements and the fact that the private limited liability company is eligible for registration.

3. Public limited Liability Company

A public limited liability company “Akcinė bendrovė” in Lithuanian (or AB) shall have at least 40 000 EUR of share capital. The shares of a public limited company are traded publically.

- The articles of association of the company are drawn up. If the founder of the company is a single person, the act of establishment of the company must be drawn up;
- The founders may submit to the Register of Legal Entities an application (form JAR-5) for temporary inclusion of the name into the Register;
- The articles of association of the company entitle to open a cumulative account of the company in the bank;

- An initial contribution for the subscribed shares is paid. Initial contributions may be paid in money or non-monetary contributions. The amount of the initial contributions must be at least 40 000 EUR;
- Prior to the signature of the articles of association of the company, the evaluation of non-monetary contributions intended payment for shares must be performed by an independent property evaluator;
- The constituent meeting is convened which must approve the report of the founder(s) of the limited liability company and elect the members of bodies of the company elected by the general meeting of shareholders.
- The company is deemed to have been established upon registration thereof with the Register of Legal Entities.

Before the application for registration of the public limited liability company is submitted to the Administrator of the Register, a sworn notary must verify the correctness of the particulars entered into the application, the compliance of the statutes with the statutory requirements and the fact that the public limited liability company is eligible for registration.

4. Branches or representative offices of foreign legal entities

- The body of the legal entity must adopt the decision to establish a branch or a representative office according to its establishment documents;
- The regulations of the branch or the representative office are drawn up;
- The management bodies of the branch or the representative office are appointed;
- The branch or the representative office is deemed to have established upon registration thereof with the Register of Legal Entities;
- A representative office may not engage in commercial-economic activities, but may conclude transaction in the name of the founding enterprise within the powers granted to it.

Before the application for registration of the branch or the representative office of foreign legal entities is submitted to the Administrator of the Register, a sworn notary must verify the correctness of the particulars entered into the application, the compliance of the statutes with the statutory requirements and the fact that the branch or the representative office of foreign legal entities is eligible for registration.

5. Signing rights

In accordance with articles of association of relevant entity all members of the board have joint, individual or mixed representation rights (sole or quantitative representation). For example, if the board consists of three members, one member may represent a company individually, but the other two jointly. The Commercial Register will not accept for registration signature rights if the board has two members and the articles of associations will specify that the first member represents the board individually, but the second - jointly.

6. Procuration

According to the Commercial law a company or its authorized representative is entitled to issue the power of attorney (procuracy) - the commercial authorization, assigning to the procurator the rights on behalf of the company to enter into transactions and perform other legal activities related to the business. Procuracy has to be registered with the Commercial register.

Representation rights

An authorized person (procurator) may alienate, pledge or encumber with property rights a real property only if rights have been specially assigned to him to be checked at the procuracy registration application. The information will be recorded in the data base of the Commercial register and is accessible by any third party.

Rights to perform all procedural activities in court proceedings

A procurator may perform all procedural activities in court proceedings (bringing a claim, agreeing on settlement, appealing judgments etc.).

Representation jointly with one or more board members

The Commercial Law foresees that the company's Articles of Association may provide the representation rights of the procurator jointly with one or more board members. Such restriction is recorded in the data base of the Commercial register. However, the forms of procuracy registration are not amended similarly and the marking in forms that a procurator represents a company jointly with 1 or more board members is not accepted. If a company wishes that this information will be recorded in the Commercial register and publicly accessible than the application must enclose Articles of Association setting the representation rights of the procurator jointly with 1 or more board members or other documents, e.g. a procuracy itself marking this restriction.

Representation jointly with another procurator (joint-procuration)

A procuracy may be issued jointly for several individuals. On the basis of such joint-procuration the procurators may represent the company only jointly. The grant of the joint-procuration shall be marked in the application for procuration.

7. Small Communities

In September 2012 a new Law on Small Communities came into force which allows establishing a new form of a limited liability company – a small community. A small community is based on personal trust and cooperation between its members. It shall be noted that a small community is a

limited liability company meaning that its liabilities are only covered by the contributions of members.

Establishers of a small community can be natural persons only. Maximum number of establishers and shareholders is 10. A very important and beneficial difference from the most common company form (UAB) is that there is no minimal share capital requirement for a small community. The Law on Small Companies states that establishers of the small company would put their contributions to the company and they are entitled to decide the size of such contributions. The contributions can be monetary or non-monetary.

The profits of a small community shall be distributed according to the size of contributions if a different procedure is not established in the Articles of a small community.

Regarding management of the small community, there are 2 possible options: either general meeting of members, or general meeting of members and a director. Before the application for registration of the small community is submitted to the Administrator of the Register, a sworn notary shall verify the correctness of the particulars entered into the application, the compliance of the articles of association with the statutory requirements. State fee for registering a small community constitutes 90% of the state fee payable for registration of the UAB (private limited liability company).

8. Bankruptcy

Insolvency of an enterprise means the state of an enterprise when it fails to settle with the creditor/creditors and the overdue liabilities/debts are in excess of over a half of the value of the assets on the enterprise's balance.

Bankruptcy means the state of an insolvent enterprise where bankruptcy proceedings have been instituted in court or the creditors are performing extrajudicial bankruptcy procedures in the enterprise.

Cases for filing the petition for bankruptcy

The creditor/creditors, the shareholder/shareholders, the head of the enterprise administration may file a petition for bankruptcy with the court if at least one of the following conditions is present:

1. the enterprise fails to pay wages and other employment-related amounts when due;
2. the enterprise fails to pay, when due, for the goods received, work performed/ services provided, defaults in the repayment of credits and does not fulfill other liabilities assumed under contracts;
3. the enterprise fails to pay, when due, taxes, other compulsory contributions prescribed by law and/or the awarded sums;

4. the enterprise has made a public announcement or notified the creditor/creditors in any other manner of its inability or lack of intent to discharge its liabilities;
5. the enterprise has no assets or income from which debts could be recovered and therefore the bailiff has returned the writs of execution to the creditor.

Within one month from the day of receipt of the petition the court or the judge shall make a decision to institute bankruptcy proceedings or to refuse to grant the petition. In case a petition for restructuring is received during the investigation of the petition for bankruptcy and the court decision to institute bankruptcy proceedings has not yet been issued, the investigation of the petition for bankruptcy shall be postponed pending the court order to initiate restructuring proceedings or to refuse to grant the petition for restructuring.

Bankruptcy proceedings shall be instituted if the court establishes the presence of at least one of the following conditions:

1. the enterprise is insolvent or the enterprise is late in paying the employees' wages;
2. the enterprise has made a public announcement or in any other manner notified the creditor/creditors of its inability to effect settlement with the creditor/creditors and/or of its lack of intent to discharge its liabilities.

Upon making a decision to institute bankruptcy proceedings, the court or the judge, in accordance with the law, must give forthwith a written notification to the register of legal persons, the enterprise, the Bank of Lithuania, the creditors, all persons who are keeping in custody or using or managing the enterprise assets on any other grounds, also the Ministry of Finance, the tax administrators, compulsory social insurance and compulsory health insurance administrators, credit institutions and insurance companies servicing the enterprise, the founder of the state-owned, municipal enterprise in bankruptcy or the institution representing the enterprise, also the Securities Commission, the courts, the pre-trial investigation institutions, the public prosecutor's department.

The court refuses to grant the petition for bankruptcy if one of the following conditions is present:

- 1) The company has satisfied the claims of creditor(s) which have filed the petition for bankruptcy of the company;
- 2) Restructuring proceedings for the company were commenced;
- 3) The court comes to a conclusion that the company does not have enough money of estate to cover the expenditures of bankruptcy administration, with the exception of circumstances indicated in the Art. 10.

REORGANIZATIONS IN LITHUANIA

1. Mergers and acquisitions

Mergers and acquisitions form a part of corporate reorganizations. Reorganization is the process that terminates the legal person without liquidation. It shall be noted that reorganizations should not be confused with corporate restructuring (transformation). Corporate restructuring (transformation) is a change in the legal form of the entity whereby the legal entity in its new form becomes the successor of all rights and responsibilities of the restructured entity.

There are 3 main legal acts that govern mergers and acquisitions in Lithuania:

- Civil code sets out the basic principles and definitions on mergers;
- Law on Companies sets out the procedures for merger implementation;
- Law on Competition sets out requirements for merger control and filing requirements.

The basis for the mergers and acquisitions is set out in the civil code of the Republic of Lithuania. Chapter VIII deals with reorganizations and liquidation. Civil code foresees two kinds of consolidations:

- Acquisition, which is a type of consolidation when one or more legal entities are added to another legal entity which takes over all rights and responsibilities of the reorganized entities;
- Merger, which is a type of consolidation when two or more legal entities are merged into a new legal entity that takes all right and responsibilities of reorganized entities.

Decision to reorganize the company (including merger) can be taken by the participants of legal entity (i.e. owners, shareholders) by majority set out in the articles of association but no less than 2/3 of all participants in shareholders meeting. In case of acquisition when one legal entity is added to another, the decision to reorganize the company can also be taken by the governing bodies of the entity to which the other entity is added.

Prior to the merger (acquisition), governing bodies of the companies participating in reorganization must prepare conditions for a merger (acquisition). Conditions of a merger (acquisition) shall contain details on the entities participating in reorganization, type of reorganization, timeframe for carrying out a merger and when the new entity takes rights and responsibilities of the reorganized companies. Conditions of the merger (acquisition) shall be evaluated by independent expert if it is set in the laws regulating particular types of legal persons. In addition to conditions of reorganization, merged companies must prepare reports explaining goals of the merger (acquisition), conditions of the merger (acquisition), timeframe and economic grounds. However, under simplified reorganization procedure, evaluation by independent expert and merger reports are not required. Simplified reorganization (i.e. merger) procedure can be applied when the entity is added to the entity that is the sole participant (i.e. shareholder) of the reorganized entity.

Implications for Companies

Law on Companies further details reorganization procedures for joint stock companies. It identifies that decision on a merger (acquisition) must be taken by general shareholders meeting, outlines the requirements for preparing merger (acquisition) conditions and other procedures. For companies report on verification of merger (acquisition) conditions must prepare the audit of company unless all shareholders agree that such report is not needed. Report of conditions of the merger (acquisition) must be prepared no later than 30 days prior to shareholders meeting which will decide on the merger (acquisition). In addition to conditions of a merger (acquisition) new set of bylaws must be prepared. Conditions of a merger (acquisition) and their evaluation report must be submitted to state registry upon announcement of a merger (acquisition). Conditions of the merger (acquisition) must be announced in the newspaper no less than 30 days prior to the shareholders meeting. A new set of articles of association for company continuing after the merger (acquisition) also has to be submitted to registry.

In addition to above documents, the boards of the companies participating in a merger (acquisition) must prepare a report outlining goals of a merger (acquisition), explaining its conditions, timeframe, legal and economic grounds (especially share swap ratios and share distribution after the merger (acquisition)). Again, such report is not needed if all shareholders agree to that. For closed joint stock companies it is needed only if shareholders with more than 1/10 of votes ask for it.

General shareholders meeting which is convened no earlier than 30 days after announcement of the merger (acquisition) decides on the merger (acquisition) and its conditions. Decision has to be taken by no less than 2/3 of votes participating in the meeting. Decision of the shareholders meeting must then be submitted to state registry.

Certain simplifying conditions exist when the company is merged with another company that controls 100% or 90% of its shares.

Merger (acquisition) is complete when state registry registers all the new companies after the merger (acquisition) and their articles of association. The company is registered after its shareholders meeting elects all required governing bodies.

Merger and acquisition Control

Mergers and acquisitions are subject to competition control in Lithuania, since Law on Competition defines mergers, when at least one of the merged companies ceases to exist, as concentration. This law further outlines procedures for concentration control for which mergers are subject to.

Competition Council is the body responsible for merger (acquisition) control in Lithuania. According to Law on Competition Council must be informed of a merger (acquisition) if aggregate turnover of the merged companies exceeds 15,5 million EUR and if turnover of each of the companies is more than 1,45 million EUR. In certain cases Competition Council might request merger (acquisition) filing even for companies below those thresholds during 12 months after the merger (acquisition), if it deems that such merger (acquisition) might limit competition. If notification is required, all the parties participating in merger (acquisition) should submit notification to the Competition Council and receive approval. Notification document should

include registration information of the merged companies, reasons for and description of the method of concentration, financial accounts of the companies, their sales and evaluation of market shares in certain markets, information on competitors and other descriptive information.

Receipt of notification shall be announced by Competition Council in its webpage including type of concentration and parties involved.

Competition Council must evaluate merger (acquisition) notification and issue its opinion not later than 4 months after filing. However, no later than one month after receipt of merger (acquisition) filing council must either issue approval of the merger (acquisition) or decide that it will further evaluate it and inform the parties respectively.

After evaluating the merger (acquisition) filing, Competition Council must issue one of the following decisions:

- Approve the merger (acquisition) as described in notification;
- Approve the merger (acquisition) with certain conditions and obligations for the companies or their controlling bodies;
- To refuse to grant permission for merger (acquisition).

Failure to get the Competition Council's approval prior to completing the merger (acquisition) may result in a fine of up to 10 percent of the turnover of the participating companies.

Decisions of the Competition Council may be challenged in administrative court no later than 20 days after receipt of decision or its publication in its webpage.

Very limited precedents exist of merger (acquisition) court cases. Since 1996 only few cases where started in the court against council decisions in merger (acquisition). However, in 3 cases the plaintiffs withdrew their appeals before the hearings started. The Competition Council has only once disapproved the merger (acquisition) – in 2007 it objected the intention of several road construction companies to form a consortium.

If the companies are merged and the acquirer overtakes all obligations of the acquired company, the VAT for the transfer of the property is not calculated. However, the property itself must be shown in the accounting or in transfer of assets act where in both situations zero-VAT is applicable.

2. Splitting

Another way to reorganize a company is by performing a splitting of the companies. Civil Code indicates two ways of splitting a company:

- Divestment. Reorganization by divestment is performed through the division of the assets of one legal entity that ceased to exist, between other two or more active legal entities that are formed in this way.
- Separation. Reorganization by separation is performed when a part from the assets of the legal entity is detached and transferred to one or more newly established legal entities.

Splitting of a company is performed followed the same rules as merger or acquisition.

LABOUR LAW

Protection of employees

Labour Code of the Republic of Lithuania provides certain principles regarding employee's and employer's rights and principles.

Labour relations are deemed to govern certain principles. Among freedom of association, freedom of choice of employment, state aid to persons in realising the right to employment or equality of subjects of labour law irrespective of their gender, sexual orientation, race, national origin, language, origin, citizenship and social status, religion, marital and family status, age, opinions or views, political party or public organisation membership, factors unrelated to the employee's professional qualities we can also find provision of safe and healthy working conditions, fair remuneration for work, prohibition of all forms of forced and compulsory labour. The Labour code also engages stability of labour relations, uniformity of labour laws and their differentiation on the basis of and psychophysical qualities of the employees as one of the main principles.

The Labour Code underlines the freedom of collective bargaining for the purpose of reconciliation of interests of the employees, the employers and the state as well as liability of the parties to the collective bargaining agreement for their obligations. Labour Code also engages the State, which is expected to support the exercise of the labour rights.

The labour rights may be in exceptional cases restricted only by law or court judgement, if such restrictions are necessary in order to protect public order, the principles of public morals, public health, property, rights and legal interests.

Employment agreement

According to the requirements of the Labour Code, the employment agreement shall be concluded in written form and it shall contain essential provisions such as the place of work and a job description in order to be valid. Certain types of employment agreements may require additional provisions (i.e. the term of the contract).

The Labour Code currently allows for the conclusion of a fixed-term employment agreement for newly created workplaces even if the work is of a permanent nature. The duration of a fixed term contract cannot be more than 5 years. Additional requirements are applicable.

It shall be noted that minimum monthly wage in Lithuania is 300 EUR. If an employee has a part-time contract, the minimum monthly wage can be reduced proportionately.

Temporary hires, provided through employment agencies are an alternative to fixed term agreements. Temporary employment is rapidly growing in Lithuania as a flexible solution for part time, project or fixed term employment, and as a risk management strategy at the startup

stage. Employment agencies are regulated by Law on Temporary Agency Employment, which was adopted in order to implement the European Union Directive on temporary agency work.

Overtime

Labour Code of the Republic of Lithuania sets the principles for the overtime.

The basic principle is that the working time may not exceed 40 hours per week as well as a daily period of work must not exceed 8 working hours. Generally overtime is prohibited. An employer may apply overtime hours only in exceptional cases, which are specified in the Labour Code, Government resolutions and collective agreements. Therefore maximum working time, including overtime, must not exceed 12 hours a day and 48 hours per 7 working days. In any case the employee's overtime hours shall not exceed 120 hours per year for each employee. A different annual duration may be established in the collective agreement for overtime hours, however, not exceeding 180 hours per year.

A five-day workweek is standard, but it may be extended to six days.

The duration of working time of specific categories of employees (of health care, care (custody), child care institutions, specialised communications services and specialised accident containment services, as well as other services which work in etc.) as well as of watchmen in premises may be up to 24 hours per day. The duration of working time of such employees must not exceed 48 hours per seven-day period, and the rest period between working days must not be shorter than 24 hours. The list of such jobs shall be approved by the Government.

For employees employed in more than one undertaking or in one undertaking but under two or more employment contracts, the working day (including breaks to rest and to eat) may not be longer than 12 hours. Overtime work cannot be assigned:

- to persons under 18 years of age;
- to persons who are studying in secondary and vocational schools without interrupting work - on study days;
- when factors in the working environment exceed the permitted levels;
- as well as in other cases established by laws and collective agreement;
- pregnant women, women who have recently given birth, women who breastfeed, employees who are taking care of children under three years of age, are solely raising a child under fourteen years of age or a disabled child under sixteen years of age,
- disabled persons may be assigned to do overtime work only with their consent. Moreover, disabled people may be assigned to overtime work provided that this is not forbidden by the conclusions of the commission that established invalidity.

The pay for overtime and night work shall be at least one and a half of the hourly pay/monthly wages established for the employee.

Accident insurance

To retain united mandatory installment mandatory rate of statutory social insurance payments for social insurance against accident at working place and professional disease in three different amounts depending to the particular group.

Social insurance payment rate is 30,8%, to which certain percentage shall be added depending on the risk group. Group III – newly established companies or those in which no accidents or professional diseases accrued in the past pay 30,98%. As well, depending on the quantity of accidents the group II of 31,22% (less accidents) and group I 31,7 (higher level of accidents) are to be noted. Insurer pays for the insured every month.

Requirements of work protection

The employer must ensure normal working conditions for the employees so that they could meet the work requirements. Such conditions are as follows: adequate condition of the machinery, equipment and devices; timely provision of technical documentation; adequate quality of materials and tools necessary for the performance of work and their timely supply; supply of electricity, gas and any other kind of energy necessary for the industrial processes; safe and non-hazardous working conditions (compliance with safety regulations and requirements, adequate lighting, heating, ventilation, control of noise, irradiation, vibration and other harmful factors having an adverse effect upon the employees' health, etc.) adequate conditions, following the procedure prescribed by regulatory acts, for the improvement of qualifications and work skills; provision of other conditions necessary for the performance of specific types of work.

In the event of non-conformity with the normal working conditions, the pay for work under such conditions will be higher than the pay rate applicable under the normal working conditions. Specific pay rates shall be defined in collective agreements and contracts of employment.

Vacation

The minimum annual paid holiday is 28 calendar days. Exceptions apply for certain categories of employees:

- 1) Employees under the age of 18;
- 2) A single parent raising a child under the age of 14 or a disabled child under the age of 18;
- 3) Disabled employees.

The above mentioned categories of employees shall have annual holiday of 35 days.

Normally, all employees are entitled to their annual paid vacation leave after they have worked in the company continuously for an initial period of six months. However, the employer and employee can agree on different conditions.

Termination of employment agreement

The Labour Code indicates that the employment agreement can be terminated by a notice of an employee, a notice by an employer or a mutual agreement between the parties. On certain occasions indicated in the Labour Code the agreement can be terminated without a notice, for example when an employee commits a serious violation of employment agreement.

If there is no fault of the employee, the agreement may be terminated by the employer for good reason, i.e. due to circumstances related with the employee's qualifications, professional competence or behavior at work. The agreement may be also terminated for economic or technological reasons, due to structural changes at the work place and other similar circumstances. The employer dismissing an employee at the employer's initiative without fault on the part of employee must give him a written notice at least 2 months (in some cases 4 months) before the termination date.

BANKING AND FINANCE

Minority shareholders

Buyouts are regulated by Law on Securities in Lithuania, which identifies 3 types of buyout procedures for public companies – voluntary offer, mandatory offer and ‘squeeze-out’ procedure. Official offer procedures apply to securities issued by public companies registered in Lithuania.

Mandatory takeover

An official buyout offer becomes mandatory to the shareholder when he directly or indirectly, or in conjunction with other parties acting together acquires 40 percent of the voting rights of the company. A mandatory buyout requirement also arises when a decision to exclude the company’s shares from trading is taken (‘delisting’).

Voluntary takeover

A voluntary tender offer can be launched by any party willing to acquire all or part of the shares of the targets. If 40 percent of shares have been acquired in such an offering, the abovementioned obligation to make mandatory bid no longer applies.

Obligation to sell the shares (‘Squeeze-out’)

A person directly or by a voluntary buyout offer acquiring 95% or more of all the shares (major shareholder) is entitled demand that other minority shareholders sell their shares to the major shareholder and the minority shareholders are obliged to do so. If the 95% of shares have been acquired in a mandatory or voluntary offer, the price paid for the shares in a squeeze-out has to be equal to the price paid during mandatory or voluntary offer. In other case, the buyer has to offer a fair price for the shares. Upon receiving the request of the majority shareholder to buy-out the remaining shareholders, the company has to promptly notify the each shareholder, Securities Commission and market operator of the request. Minority shareholders then have 90 days to sell their shares to the majority shareholder.

Circular and Timing

In any share buyout case the person who offers shall submit a circular regarding the share buyout bid to the Securities Commission. The circular shall include the offered purchase regulations (term, price etc.) and, in case of voluntary offer – the minimal and maximal number of shares offered to be purchased. The purchase regulations shall be similar for all shareholders having the same category shares. The Commission shall review the prospectus within 7 days. A share buyout bid shall be valid for a period of 14 to 70 days, starting on the 4th working day after the Securities Commission has approved the circular. There are significant differences in all of the above mentioned buyout cases depending whether a shareholder accepts or rejects a buyout bid. If mandatory or voluntary buyout bid has been made, a person can choose to accept the bid and sell his or her shares or to reject it. However, if ‘squeeze out’ bid has been made, a person on

mandatory base shall sell the shares. If a shareholder does not accept a final share buyout bid by the expiration date, the offerer has the right to apply to the court with evidence that funds have been transferred to the minority shareholders requiring that the respective entries be made of the transfer of the shares to the majority shareholders.

DATA PROTECTION

According to the Law on Legal Protection of Personal Data any individual, entity or institution carrying out personal data processing (personal data processing comprise any operation carried out regarding personal data which is information related to an identifiable individual - including data collection, registration, recording, storing, arrangement, transformation, utilization, transfer, transmission and dissemination, blockage or erasure), and establishing systems for personal data processing, shall register such system in the State Data Protection Inspection. This regulation applies also to cases, when the personal data (for example name, ID number) are collected for the bookkeeping and personal accounting, except, if the data are not collected electronically, but on paper. If the system is not registered, a penalty up to 289 EUR may be imposed for the first breach of law and for the second breach of law – up to 579 EUR.

EUROPEAN UNION FUNDS

General Information

European Union will be investing between years 2014 and 2020 around 6,82 billion euros. The amount is almost the same as in last period of 2007-2013 (6,9 billion euros) The main investment priorities for this cycle are:

- Promoting innovation and research investments
- Improving business environment and enhancing the competitiveness of business sector
- Promoting digital society
- Developing modern infrastructure to enhance competitiveness and foster sustainable growth
- Promoting environmentally friendly and resource-efficient economy
- Promoting employment; improving quality of education policies; reducing the risk of poverty and social exclusion
- Ensuring effectiveness of public administration

The funds will be divided between different projects in following way:

- 4,63 billion euros for less developed regions
- 2,05 billion euros for the projects of Cohesion Fund
- 113,7 million euros for European Territorial Cooperation
- 31,8 million under the Youth Employment Initiative

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