

**A PRACTICAL GUIDE FOR  
INVESTORS IN LITHUANIA**

**APRIL 2001**

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## **A. A DECISION TO INVEST IN LITHUANIA**

Congratulations on making this decision. May all your activities be successful and bring you good results!

## **B. ARE YOU INTENDING TO VISIT LITHUANIA?**

## **C. ENSURING YOUR STAY IN LITHUANIA IS LEGAL**

Read about the process for ensuring your stay in Lithuania is legal in, “The Procedure for Ensuring a Stay in Lithuania is Legal”.

## **D. LOOKING FOR A REPRESENTATIVE (PARTNER) IN LITHUANIA**

## **E. DO YOU INTEND TO ESTABLISH A BUSINESS IN LITHUANIA?**

According to the provisions of the Law on Enterprises of the Republic of Lithuania (LR), the following enterprises can operate in the Republic of Lithuania:

- An **individual (personal) enterprise** is owned by one natural person or several natural persons by the right of joint ownership. The individual (personal) enterprise does not have the rights of a legal person and its assets are not separate from the owner’s private assets. The owner is liable with all his property for the obligations of the enterprise as well as after liquidation of the enterprise. In addition to the Law on Enterprises of the Republic of Lithuania, the Civil Code of the Republic of Lithuania and other laws regulate the establishment, liquidation, and activities of an individual (personal) enterprise.
- A **general partnership** is an unlimited liability enterprise, established on the basis of a partnership agreement by several natural or legal persons by combining their property under a plan of co-ownership with the aim of conducting joint commercial-economic activities under the common name of the firm. A general economic partnership does not have the rights of a legal person and its property is inseparable from the property of the members of the partnership. Its partners are jointly and severally liable with all their property for the obligations of the general partnership as well as after liquidation of the enterprise. The establishment, liquidation and activities of the general partnership is regulated, in addition to the Law on Enterprises of the Republic of Lithuania, by the Civil Code of the Republic of Lithuania, the LR Economic Partnership Law, and the joint combined activities agreement whereby the general is established.
- A **limited partnership** consists of general partners and limited partners acting under the common name of the firm who own the property of the enterprise by the right of joint ownership. The limited partnership is not a legal person. Its property is inseparable from the property of its general partners. The activities of the limited partnership are regulated analogically to those of a general partnership.
- **Public or private companies** are companies, in which the authorised capital is formed by issuing shares. Public and private stock companies are limited liability enterprises having the rights of a legal person. Shareholders can be natural or legal persons or the State (local municipalities), represented by a corresponding state institution. The LR Law on Enterprises, the LR Civil Code, the Company Law, other legal acts and the articles of association of the specific company, which have been registered by prescribed procedures, regulate the founding, liquidation, reorganisation, activities, and other issues of public and private companies.

- **Foreign enterprises** may found **branches and representative offices** in the Republic of Lithuania, if the laws, according to which this enterprise was founded and operates, do not forbid the founding of branches or representative offices. The number of branches or representative offices a foreign enterprise may have is not limited. A foreign branch is a foreign enterprise's subdivision, which has a registered address in Lithuania and can engage in commercial-economic activities, conclude transactions, and assume obligations only in accordance with the authorisation granted it by the founding enterprise. The representative offices of a foreign enterprise are a foreign enterprise's subdivision, which has its registered address in Lithuania and which cannot engage in commercial-economic activities. Neither branches nor representative offices are legal persons. The Law on Enterprises of the Republic of Lithuania (amended on 7 December 1999 by Law No. VIII-1465) regulates these issues.
- An **agricultural company** is an enterprise, in which the part of income from agricultural production and from services for agricultural production composes more than 50 percent of all the income realised by the enterprise. It is formed from assets contributed by individual persons into joint property in order to perform commercial activities in agriculture. An agricultural company must consist of no less than 2 members; no maximum number of members has been established. An agricultural company is a legal person with limited asset liability.
- A **co-operative company** is a legal person founded by natural and/or legal persons, the basic purpose of which is to satisfy the production, economic, and social needs of the co-operative company members, operating at the initiative and risk of the members.

## **F. ARE YOU INTENDING TO INVEST IN SHARES OF AN ACTIVE ENTERPRISE?**

- After investing in shares of an active enterprise, you can earn dividends without a large direct effort.
- Dividends in the Republic of Lithuania are taxable at a 29% tax rate as a source of income.
- When the income of foreign enterprises is taxable as a source of income, the enterprise, which pays out the income, calculates and pays the profit tax within 15 days after the end of the month, in which the income is paid out.
- The Republic of Lithuania has signed treaties with some countries concerning the avoidance of double taxation.
- The table below presents the maximum tax rates on sources of income, taking into consideration the Lithuanian treaties concerning the avoidance of double taxation.

<b>Country</b>	<b>Dividends (%)</b>	<b>Country</b>	<b>Dividend (%)</b>
Belarus	10	Kazakhstan	5/15 (a)
Canada	5/15 (a)	Latvia	0/15 (a)
China	5/10 (a)	Moldova	10
Czech Republic	5/15 (a)	Norway	5/15 (a)
Denmark	5/15 (a)	The Netherlands	5/15 (a)
Estonia	0/15 (a)	Poland	5/15 (a)
Germany	5/15 (a)	Russian Federation	5/10 (a)
Finland	5/15 (a)	Sweden	5/15 (a)

Ireland	5/15 (a)	Ukraine	5/15 (a)
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- A 5% rate is applicable for countries, which are noted by an (a) in the table presented above, if the beneficiary in said country possesses more than 25% of the payer's authorised capital.
- In those cases where no privileges are specified in the treaties for the avoidance of double taxation, a method of writing off the taxes applicable abroad to Lithuanian enterprises is applied to income earned abroad. The sum written off must not exceed the sum of profit taxes, which must be paid if the income received abroad were taxable according to the laws of Lithuania. Writing off can be applied to Lithuania enterprises only after the submission an official document issued by the foreign tax administrator, which indicates the payment of taxes abroad.

## G. ACQUIRING SHARES

## H. DO YOU INTEND TO EXPORT YOUR PRODUCTION TO LITHUANIA?

- The international agreements of the Republic of Lithuania and the national legal acts regulate the procedures for foreign trade operations, customs, and other requirements connected with the import, export, and transit shipment of goods in the Republic of Lithuania.
- Exceptional examples of the most important Lithuanian international agreements in this area are:
  - Free trade agreements,
  - Agreements concerning most favoured status, and
  - International conventions.
- Lithuania has signed **Free Trade** Agreements with the European Union and the countries of EFTA (Iceland, Norway, Switzerland, as well as Liechtenstein, Estonia, Latvia, Turkey, Ukraine, Poland, Slovenia, the Czech Republic, Slovakia, and Hungary). According to these agreements, a **Preferential Duty Rate** is applicable to goods being imported.
- Lithuania has also signed **Most Favoured** Status Agreements with Australia, Belarus, Bulgaria, Georgia, Canada, the Chinese People's Republic, Cyprus, Korea, Cuba, Moldova, Romania, Russia, India, Uzbekistan, Vietnam, the USA, Kazakhstan, and Japan. According to these agreements, a **Conventional Duty** is applicable to any goods being imported.
- Of the **international conventions ratified** by Lithuania and connected with the import, export, transit shipment, it is possible to point out:
  - The **CMR Convention** (a treaty concerning the international transport via roads and the Protocol attached to it),
  - The **TIR Convention** (an agreement concerning the international transport of goods with a TIR Cornet),
  - **COTIF** (an agreement concerning international transport by railway),
  - The **HS Convention** (an agreement concerning the a harmonised system for describing and encoding goods), and

- The **Istanbul Convention** (concerning temporary import) as well as many other international conventions.
- Some of the most important Lithuanian national legal acts regulating import, export, and transit shipment issues are:
  - The Customs Code of the Republic of Lithuania (No. I-1291 of 18 April 1996, in force as of 1 Jan. 1998). The Customs Code of the Republic of Lithuania regulates the procedures for the import, export, and transit shipment of goods; the performance of customs procedures connected with this; import and export duties and taxes; the application of measures for the prohibition, restriction, and control of imports and exports; as well as the basis for the activities of the Lithuanian customs.
  - The Law on Customs Tariffs of the Republic of Lithuania (No. VIII-633 of 19 Feb. 1998). The Law on Customs Tariffs of the Republic of Lithuania establishes the types of duties applicable in the Republic of Lithuania, those cases where duties are applicable, and the procedures for creation, confirmation, and application of customs duties on goods being imported into the customs territory of the Republic of Lithuania and being exported from it. This law is applicable to all legal and natural persons carrying out the import of goods into the customs territory of the Republic of Lithuania and being exported from it
  - Other laws and legal acts regulating customs duties, deductions for duties and other taxes, the procedures for performing customs procedures, etc.
- The export of your production will be treated as an import into Lithuania.
- In some instances, importing production into Lithuania requires the possession of a licence or other special permit.
- The Law on Enterprises of the Republic of Lithuania (No. I-196 of 08 May 1990) establishes the instances where an import licence is necessary:
  - for importing narcotic and psychotropic substances, and precursors;
  - for importing unprepackaged oil products;
  - for importing alcoholic products;
  - for importing tobacco and tobacco products into the Republic of Lithuania; and
  - for importing pyrotechnics, fire-arms and their ammunition for civilian use.
- The LR Law on Control of the Import, Export, and Transit Shipment of Strategic Goods and Technologies (No. I-1022 of 05 July 1995) and the LR Law on Control of Narcotic and Psychotropic Substances (No. VIII-602 of 08 Jan. 1998) also regulate import licence issues.
- The **automatic import licence system** has been in force since 1 November 1998. This system is applicable for the import of some agricultural products. Automatic licensing is the issuance of licences in all import cases if the enterprise meets the requirements prescribed for issuing licenses.
- In individual cases specified in laws and legal acts, importing certain products requires the possession of a corresponding permit. Resolution No. 718 of the Government of the Republic of Lithuania of 19 May 1995 regulates these and other issues. A list has been confirmed of the goods, the import, export, or transit shipment of which is prohibited without a permit.
- The import permits issued are:

- Health and quality certificates (issued by the State Public Health Centre under the Ministry of Health);
  - Veterinary certificates (the State Food and Veterinary Service);
  - Inspection Certificates (the State Plant Protection Inspectorate);
  - Certificates for harmful or hazardous materials or products (according to a list) (the Ministry of National Defence or the Ministry of Environment);
  - Other state institutions.
- Special requirements (restrictions and prohibitions) are applicable to travellers, postal parcels, the import and export of cash, and the import of food products.
  - In the case of importing general purpose electronic equipment and electrical devices, it is compulsory to present a confirmed certificate, which shows that these devices are safe, not hazardous to personal health, and have been manufactured in accordance with international standards.
  - Various requirements for the import/export of goods are regulated by special LR laws: Veterinary, Product Safety, Phytosanitation, etc. For example, the Phytosanitation Law (No. VIII-1481 of 16 Dec. 1999) regulates mandatory phytosanitation requirements and the basis of phytosanitary control for natural and legal persons as well as enterprises that are importing, warehousing, and transporting plants as well as importing, warehousing, and transporting plant products and other objects.

## **I. EXPORTING PRODUCTION INTO LITHUANIA**

In this section, you will find basic information about:

- The imposition of duties on goods;
- the conditions for importing goods without paying duties and taxes;
- customs duties; and
- excise duties on products being imported.

### ***The imposition of duties on goods***

- The Customs Code, in force since 1 Jan. 1998, regulates issues concerning the import of production into Lithuania.
- According to the Customs Code, goods imported into the customs territory of the Republic of Lithuania from the moment of their import are held to be under the supervision of customs. They can be verified by customs pursuant to the regulations of this Code and the legal acts regulating its application.
- Lithuanian goods remain under the supervision of customs until their status as Lithuanian goods is recognised.
- The person, who has brought goods into the customs territory of the Republic of Lithuania, must present the goods to customs. Together with the goods being presented at customs, customs documents (a general declaration, a general document (SAD), and in individual cases, a TIR or ATA carnet) must also be presented.

- Only in those cases prescribed by the laws and other legal acts is not mandatory to present goods imported into the customs territory of the Republic of Lithuania to customs.
- To inspect goods and to take examples or samples of them is allowable for a person, who has the right to dispose of the goods and has submitted an application, or for his representative (e.g., by contract or written authorisation, a customs intermediary).
- Together with the customs declaration, are usually presented as well transport documents and documents for the sale and purchase of the goods or for transactions for another supply the goods (contracts, accounts, documents showing the origin of the goods (if special duties are applicable), licenses, certificates, permits, registration certificates (when importing food goods), and other conformity, quality, veterinary, phytosanitation, etc. certificates and documents, depending on the nature of the goods and the customs procedures applicable to the goods or other sanctioned actions, and also on whether non-tariff barriers or restrictions are applicable to the export or import of the goods.
- Until goods are presented to customs for registry for a sanctioned procedure, they are held to be in temporarily storage.
- Usually goods can be temporarily kept in import/export terminals and at the Klaipėda State Seaport, and in some cases, at locations prescribed by customs.
- Terms established for temporary storage:
  - when the goods were transported by sea, 45 days; and
  - when the goods have not been transported by sea, 20 days.
- It is possible to store goods being imported, exported, or shipped in transit in the terminals. Everyone, including Lithuanians, and foreign legal and natural persons, who have the right to dispose of the goods or transport them, can store them there.
- The storage time can be extended up to 90 days.
- It is prohibited to store particular types of goods in terminals: alcoholic beverages, ethyl alcohol, tobacco products, and sugar. The temporary storage of these goods is not prohibited at the Klaipėda State Seaport.
- While goods are being temporarily stored, it is unnecessary to pay duties and taxes since a guarantee is applied to the goods, which guarantee the owner (manager) of the import-export terminal provides while he is establishing the user of the terminal or the Klaipėda State Seaport Complex.
- Free Zones and free warehouses are a part of the customs territory of the Republic of Lithuania, or premises located in this area, which are separated from the rest of the aforementioned area, in which non-Lithuanian goods are held, in respect to import duties and taxes as well as economic prohibitions and restrictions, to exist outside the customs territory of the Republic of Lithuania, except in cases where the goods, released for free circulation; are presented for registry for another customs procedure; or are stored or used under conditions other than those specified in the Customs Code, the Law on the Fundamentals of Free Economic Zones (No. I-976 of 28 June 1995), the Law on the Establishment of a Free Economic Zone, the Law on the State Seaport and other legal acts.

### ***Conditions for importing goods without payment of import duties or taxes***

- Import duties and taxes are conditionally not levied on non-Lithuanian goods when the following customs procedures are performed:
  1. Customs transit. For goods, transported in transit, it is not necessary to pay duties and taxes, but it is mandatory to provide a guarantee no less than the sum of the taxes. The procedures for customs transit is applicable when the following will be transported from one location in a customs territory of the Republic of Lithuania to another location in a customs territory of the Republic of Lithuania:
    - non-Lithuanian goods, on which no import duties or taxes are levied and to which no economic prohibitions and restrictions apply; and
    - Lithuanian goods, transported through the territories of foreign states, on which no import duties or taxes are levied and to which no economic prohibitions and restrictions apply.
  2. Customs warehousing. The procedure for customs warehousing is cleared when non-Lithuanian goods are allowed to be stored in customs warehouses without import duties or taxes being levied on them and without any economic prohibitions or restrictions being imposed. A customs warehouse is a part of the customs territory of the Republic of Lithuania, established and supervised by customs, in which goods can be stored by the procedures and under the conditions prescribed by the Customs Code and the legal acts regulating its application.
  3. Goods temporarily imported for processing do not have conditionally import duties and taxes levied on them.
  4. Processing supervised by customs. The procedure for processing under the supervision of customs is not applicable at this time in Lithuania. The essence of this procedure is that processing operations, which change the nature or shape of the article, are allowed to be performed in the customs territory of the Republic of Lithuania on non-Lithuanian goods, on which no import duties or taxes are levied and to which no economic prohibitions and restrictions apply. After carrying out these operations, the products obtained are released for free circulation imposing import duties and taxes levied on these products.
  5. Temporary importation. This procedure is applicable when non-Lithuanian goods, which are expected to be re-exported, not processed or altered (except for the normal wear and tear due to their ordinary use), are stored and used in the customs territory of the Republic of Lithuania. These goods have conditionally, in full or in part, no import duties and taxes levied on them or any economic restrictions and prohibitions imposed on them.

### ***Customs tariffs***

- The Law on Customs Tariffs of the Republic of Lithuania prescribes the structure of customs rates. In accordance with the provisions of this Law, customs tariffs are formed according to the following structure:
  - the code for the goods according to the combined statistics nomenclature for customs tariffs and foreign trade;
  - the description of the goods according to the combined statistics nomenclature for customs tariffs and foreign trade;
  - the natural measurement unit of the goods; and

- the customs standard (autonomous, conventional, preferential or export).
- All goods, which are imported or exported, are classified according to the Combined Nomenclature of Goods (a 9 digit product code is used to mark the positions).
- The Customs Code defines the basic principles for establishing the origin of goods (In those cases specified in international treaties, the provisions of these treaties are applicable).
- Import duties and taxes are payable in the national currency of the Republic of Lithuania, the Litas. The procedures for payment are regulated by the Customs Code and other legal acts.
- Customs tariffs can be found at the <http://www.ekm.lt/muitai/emuitai.htm> Internet Page.
- An 18 percent VAT tax is levied on goods being imported into Lithuania. A list of goods, on which no VAT is levied, has been drawn up.

### ***Excise duties on products being imported***

- In individual cases specified by the Law on Excise Taxes of the Republic of Lithuania (No. I-429 of 12 April 1994), importers must pay excise taxes.
- The following goods are subject to excise taxes:
  1. undenatured ethyl alcohol and alcoholic beverages, including beer;
  2. smoking tobacco and tobacco products;
  3. coffee, chocolate, and food products with cocoa;
  4. jewellery, gold, and silverware, excluding imitation jewellery and coins;
  5. motor petrol, kerosene, aviation turbo jet fuel, diesel fuel oil, liquid heating fuel oil;
  6. luxury motor vehicles;
  7. electricity, except it is made from the fuel of biological origin;
  8. publications of erotic and violent character;
  9. lubricants of all types, except biooil;
  10. sugar, including sugar contained in products (according to a list approved by the Government;
  11. liquid perfume, cosmetic, and toiletries as well as other products not specified herein, which contain ethyl alcohol and which, due to their low price, can be used as alcoholic beverage substitutes (according to a list drawn up by the Government and the price limit set by it), however only those, in which the existing ethyl alcohol concentration exceeds the minimum ethyl alcohol concentration specified by the Government.
- The taxable value of goods manufactured in the Republic of Lithuania consists of the price the goods are sold for less the excise and value-added tax. The taxable value of goods being imported consists of the customs value of the goods and the sum of the duties.

- Only in those cases prescribed by the Government are excise taxes paid through the purchase of special stickers (specific cases are specified in Government Resolution No. 36 of 14 Jan. 1998), for example, for tobacco being imported or alcoholic beverages being imported. In other cases, the manufacturer of these goods pays the excise taxes by the prescribed terms, i.e. after shipping off the manufactured goods or for an importer, after clearing the procedure for the internal use of the import.

## A. REGISTER YOUR BUSINESS IN LITHUANIA

Read about the registration of a business, the documents necessary for it, and the necessary sequence of actions in “The Procedure for Registering an Enterprise”.

Stages after the registration of a business

- The investor (enterprise) is registered as a taxpayer with the State Tax Inspectorate.
- The investor (enterprise) is registered as a payer of VAT with the State Tax Inspectorate (as is specified in the Law on VAT Tax of the Republic of Lithuania).
- The investor is registered as one insured with the State Social Insurance Board.
- The investor registers his trademark and/or patent, if necessary.

Read about this in “Registration of a Business”.

## B. DO YOU WISH TO CARRY OUT ACTIVITIES REQUIRING A LICENSE?

- The Law on Enterprises (No. I-196 of 08 May 1990) and special laws, regulating the corresponding areas of commercial-economic activity (e.g., the Laws on Energy, Pharmacy, the Fundamentals of Transport Activities and other laws) establish the areas of commercial-economic activity, for which a license is necessary in order to perform them.
- The Company Law prescribes that the licensing commercial-economic activities are related to the increased danger to the human life, health and environment, to manufacturing and purchasing the armament and also to the purchasing goods and providing services for what laws may prescribe the special order.
- Foreign investment is not allowed in all licensed activities: the Law on Investments of the Republic of Lithuania (No. VIII-1312 of 7 July 1999) establishes that foreign investment is prohibited in the following commercial-economic activities:
  1. assuring state security and defence (except investments from foreign entities conforming to the criteria of European and transatlantic integration selected by Lithuania, if the state defence council approves them);
  2. the manufacture and sale of narcotic and psychotropic substances as well as non-medical potent and poisonous materials, as well as the growth, processing, and sale of plants, containing narcotic, potent, or poisonous materials; and
  3. the organisation of lotteries.
- Only state enterprises, municipal enterprises, and special purpose public and private companies and only those having licenses issued by the procedures prescribed by the Government of the Republic of Lithuania, have the right to engage in the following activities:

1. manufacturing of alcohol products, in which the volumetric ethyl alcohol content concentration exceeds 22 percent. Only state enterprises have this right, if the Law on Alcohol Control does not prescribe otherwise; and
  2. printing banknotes and postal stamps as well as minting coins.
- The Law on Tobacco Control prescribes that retail trade in tobacco products is to be licensed.

### **C. OBTAINING A LICENSE FOR AN ACTIVITY**

Read about obtaining the documents necessary for licenses and about the licensing process in “The Procedure for Licensing an Activity”.

### **J. ARE YOU INTENDING TO CARRY OUT A MARKET CONCENTRATION?**

If an enterprise wishes to carry out a market concentration in Lithuania, a permit is necessary.

According to the Law on Competition of the Republic of Lithuania, a concentration is defined thus:

- 1) merger when one or more undertakings which terminate their activity as independent undertakings are joined to the undertaking which continues its operations or when a new undertaking is established out of two or more undertakings which terminate their activity as independent undertakings;
  - 2) acquisition of control when one and the same natural person or persons, already controlling one or more undertakings, or one or more undertakings, acting by contract, jointly set up a new undertaking or gain control over another undertaking by acquiring an enterprise or a part thereof, all or part of the assets of the undertaking, shares or other securities, voting rights, by concluding a contract or by any other means.
- Economic entities, wishing to carry out a market concentration, must notify the Competition Board and obtain a permit, if the total gross income of the participating economic entities for the last financial year before the concentration is larger than 30 million Litas and if the gross income, for the last financial year before the concentration, of each of at least two of the economic entities participating in the concentration was larger than 5 million Litas.
- The gross income of foreign economic entities is calculated as the sum of income received in the goods market in the Republic of Lithuania.

### **K. OBTAINING A PERMIT TO CARRY OUT A MARKET CONCENTRATION**

Read about the process of obtaining the necessary permits for carrying out a market concentration in “The Procedure for a Market Concentration”.

### **N1. ARE YOU INTENDING TO SIGN A CONTRACT, WHICH IS HELD TO BE A PROHIBITED AGREEMENT, BUT MEETING AN INDIVIDUAL OR GENERAL EXCEPTION?**

- All agreements, which seek to limit competition or which limit or could limit competition, are prohibited and void from the moment of their conclusion, including:
  1. an agreement to directly or indirectly to establish (fix) the price of particular goods or other conditions for their sale or purchase;
  2. an agreement to divide the market for goods on the basis of territory, according to groups of buyers or suppliers, or by any other method;
  3. an agreement to establish the quantity of goods manufactured or sold, as well as to limit technical progress or investment;
  4. an agreement in contracts of a similar in nature to apply uneven (discriminatory) conditions to separate economic entities and thereby create for them different conditions for competition;
  5. an agreement to require from other economic entities additional obligations, which are not directly connected with the subject of the contract by their commercial nature or designation;
  6. an agreement of competitors to participate or not participate or to submit coordinated bids in a public acquisition, competition, or other acquisition of similar nature.
- The agreements enumerated in paragraphs 1-4 are held in all cases to limit competition.
- In certain cases, a general or individual exception is applicable to prohibited agreements.
- The Competition Council, by a resolution, passes legal acts concerning general exceptions to the application of conditions.
- All economic entities can conclude a contract, which satisfies the conditions for granting and applying a general exception.
- Economic entities may, but need not, petition the Competition Council concerning the confirmation of the legality of such contracts.

## **N2. OBTAINING A GENERAL OR INDIVIDUAL EXCEPTION**

Read about the process for obtaining a general or individual exception in “The Procedures for Agreements Limiting Competition”.

### **L. ARE YOU PLANNING TO OBTAIN A PLOT OF LAND?**

### **M. ARE YOU PLANNING TO LEASE A PLOT OF LAND?**

### **N. PUTTING LAND LEASE MATTERS IN ORDER**

Read about the documents necessary in the process of leasing land and in the individual stages in “The Procedure for Leasing Land”.

## **O. PROBABLY YOU HAVE FORESEEN TYPES OF INVESTMENT, WHICH WE ARE NOT DISCUSSING IN THE GUIDEBOOK**

### **P. BUYING A PLOT OF LAND**

Read about what documents are necessary in the process of purchasing land and in the individual stages in “The Procedure for Purchasing Land”.

### **D. ARE YOU GOING TO CARRY OUT CONSTRUCTION?**

By “construction” in this guidebook we mean the construction of buildings from the preparation of a project to the acceptance of the building for use, including as well the detailed construction work, during which time the designation is changed, the project altered, etc.

### **E. ORGANISING THE CONSTRUCTION PROCESS**

Read about the process of organising construction and the documents necessary in its individual stages in “The Procedure for Organising Construction”.

### **F. HIRING EMPLOYEES**

Read about questions of hiring and dismissing employees in “The Procedure for Hiring Employees”.

## **Q. CARRYING OUT AN ACTIVITY**

In this section, you will find basic information about:

- The types of LR taxes and their sizes;
- Tax calculation, deductions and other exemptions from paying taxes;
- The payment of taxes and the submission of reports about it;
- Tax audits and resolution of tax disputes;
- Import/export procedures;
- Use of the State language;
- Inspections verifying an enterprise’s activities.

### ***The Types and Sizes of LR Taxes***

The Law on Tax Administration of the Republic of Lithuania (No. I-974 of 28 June 1995) and special tax laws regulate tax issues in the Republic of Lithuania.

The primary types of taxes and their sizes are presented in the table below:

<b>Taxes</b>	<b>Rates</b>
Profit taxes for legal persons (1)	24
Capital gains	24
Dividends (taxable as a source of income)	29
Interest (taxable as a source of income for payments made to foreign enterprises)	15

foreign enterprises)	
Payment for the transfer of ownership rights (taxable as a source of income for payments made to foreign enterprises)	10
Market research, consultation, and intermediation services (taxable as a source of income for payments made to foreign enterprises)	15
Payments executed to Offshore (tax havens) enterprises	29
VAT (exporting 0%)	18
Social insurance (2)	34
Excise taxes (3)	1-100
Import tariffs	*****
Export tariffs	*****

(1) 0% taxable profit is used for investments; small enterprises pay 15%; a 10% rate is applicable to agricultural enterprises (More accurately, according to special laws, agricultural enterprises are in reality exempted from profit taxes); the same line of deductions is also applicable when investing in FEZ (enterprise zones) and hiring invalids.

(2) Employers pay 28% for social insurance and 3% for health insurance, while the employees themselves pay 3% for social insurance.

(3) On the basis of raw materials like wood and leather.

Other taxes:

- real estate tax for enterprises and organisations (1% of the real estate tax value)
- land tax (1.5% the price of the land per year);
- taxes for state natural recourses;
- oil and gas reserves tax;
- environmental pollution tax;
- consular tax;
- stamp duty;
- market-place tax;
- deductions from sales income according to the Law on the Road Fund of the Republic of Lithuania;
- inheritance or gift tax;
- compulsory health insurance contributions; and
- leasing tax for state land and state water fund water reservoirs.

***Tax calculation, sizes, deductions and other exemptions from the payment of taxes***

## **Profit taxation**

- According to the Law on Profit Tax of Legal Persons (No. I-442 of 31 July 1990), any Lithuanian enterprises having the rights of a legal person pay a legal person profit tax on the taxable profit received. Foreign enterprises (not registered in Lithuania) pay profit taxes on only on the income received in Lithuania.
- The taxable profit of enterprises having the rights of a legal person and a permanent registered address are taxed at a 24% profit tax rate (as of 1 Jan. 2000).
- Taxable profit, used for investments, is taxed by applying a (0%) rate.
- Capital gains are ascribed as taxable profit and taxed according to the ordinary profit tax rate.
- Income received by foreign enterprises from Lithuanian enterprises and their permanent residences for rendering market research, consultation or intermediation services and as well as for services of designing - construction, labour organisation, control, co-ordination, lease, transferred real estate or interest beginning with 01 01 2002 is taxed as a source of income by applying a 15 percent rate.
- Income received by foreign enterprises from Lithuanian enterprises and their permanent residences for granting to the right to use trademarks and company names and as well as the payment of remuneration for copyright, payment for transferred or granted copyright, related rights, right to use a patent for an invention, industrial design, topography of semiconductor product, service mark, secret formula or method and franchise, recovery of losses and material damages or compensation for the breach of copyright or related rights beginning with 01 01 2002 is taxed as a source of income by applying a 10 percent rate.
- Compensation paid to authors (both residents and non-residents) for scientific, literary, and art creations, discoveries, or inventions are taxed by applying a 13% tax rate as a source of income.
- The income of foreign enterprises, registered for a privileged tax rate in states or zones (territories, in which the taxes are less than in the Republic of Lithuania), received from enterprises and permanent registered address of the Republic of Lithuania are taxed as a source of income by applying a 15 percent rate. The Government of the Republic of Lithuania or an institution authorised by it (Resolution No. 888 of 04 Aug. 1997 of the Government of the Republic of Lithuania “On the Kinds of Taxable Income Received by Foreign Enterprises Registered for the Privileged Tax Rate in States and Zones from Legal Persons and Enterprises not having the Rights of a Legal Person of the Republic of Lithuania”) establishes a list of these states (zones), the kinds of taxable income, and the procedures for payment of taxes. In certain cases, this income is not taxable.
- When the income of foreign enterprises is taxable as a source of income, the enterprise, which paid the income, calculates the profit tax and pays it no later than within 15 days after the end of the month, in which that income was paid.
- The maximum rates for taxes on a source of income, taking into consideration Lithuanian treaties concerning the avoidance of double taxation, are presented in the table below:

	<b>Dividends (%)</b>	<b>Interest (%)</b>	<b>Compensation for the transfer of legal ownership (%)</b>
Belarus	10	10	10
Canada	5/15 (a)	10	10
China	5/10 (a)	10	10
Czech Republic	5/15 (a)	10	10
Denmark	5/15 (a)	10	5/10 (b)
Estonia	0/15 (a)	0	0
Germany	5/15 (a)	10	5/10 (b)
Finland	5/15 (a)	10	5/10 (b)
Ireland	5/15 (a)	10	5/10 (b)
Kazakhstan	0/15 (a)	10	10
Latvia	0/15 (a)	0	0
Moldova	10	10	10
Norway	5/15 (a)	10	5/10 (b)
The Netherlands	5/15 (a)	10	5/10 (b)
Poland	5/15 (a)	10	10
Russia	5/10 (a)	10	5/10 (b)
Sweden	5/15 (a)	10	5/10 (b)
Ukraine	5/15 (a)	10	10

(a) If the recipient has more than 25% of the payer's authorised capital, a 5% rate is applied.

(b) A 5% rate is applied to compensation for the transfer of legal ownership paid for the use of manufactured products and of sales or scientific equipment. A 10% rate is applied to other compensation for the transfer of legal ownership.

(c) If the recipient has more than 25% of the payer's authorised capital, a 0% rate is applied.

➤ In those cases where there is no deduction specified in treaties to avoid double taxation, the method of writing off taxes paid abroad on income earned abroad is applied to Lithuanian enterprises. The sum written off must not exceed the sum of profit taxes, which would be paid if the income received abroad were taxable according to Lithuanian laws. Such writings off for Lithuanian enterprises can be applied only after an official document, showing the payment of a tax abroad and issued by a foreign tax administrator is presented.

➤ For agricultural enterprises, where the income for agricultural production and services consists of more than 50% of sales income, profit taxes are not applicable (according to a special law).

- For small enterprises (small businesses), where gross income does not exceed 1 million Litas and the average number of workers on the rolls during a year is not larger than 50, a 15% tax rate is applicable.
- For creative unions (architects, artists, designers, photo artists, composers, cinematic artists, scholars, writers, folk artists, theatre, and journalists), which devote no less than 29% of their profit for financing the needs of the creative union, taxable profit is taxed at a 5% tax rate.
- Enterprises in free economic zones for the five years from the day of their registration pay 80% less profit tax and for the subsequent 5 years, 50% less profit tax.
- If a foreign investor(s) acquires no less than 30% of the authorised capital (owner's equity) of an enterprise in an enterprise zone and has invested no less than one million US dollars worth of foreign capital, this enterprise for the 5 years after the day of the enterprise's registration pays no profit taxes and for the subsequent 10 years pays 50% less profit taxes.
- Tax deductions for foreign investors were abolished on 1 April 1997 but are still applicable for those investments, which were made before the indicated date.
- If, by the procedures prescribed by the Law on Investments of the Republic of Lithuania, an investment contract concluded with an investor by the Government of the Republic of Lithuania or an institution authorised by it, the investor undertakes to invest in an economic entity registered in the Register of Enterprises of the Republic of Lithuania no less than 200 million Litas during 3 years (36 calendar months) from the day the contract was concluded, at the request of the investor(s) it can be prescribed in the contract that for this economic entity for 5 years from the day, when the investment prescribed by the investment contract reaches 200 million Litas, the direct tax rates, prescribed on that day by the corresponding tax laws then in force, will not increase.
- The Government of the Republic of Lithuania has the right to extend the term for not increasing taxes for strategic investors for up to 10 years.
- Enterprises, where sales income for their own production (except trade, etc.) consists of more than 50% of all the income obtained and which employs persons with impaired working capacity, may reduce the calculated profit tax by the following procedures:

Percentage of all the persons working who have an impaired working capacity	Reduction of the calculated profit tax
Over 50%	100%
40-50%	75%
30-40%	50%
20-30%	25%

- Taxable profit is calculated from taxable income less the expenditures prescribed by law for the income received (the law regulates these procedures).
- The following are ascribed to those expenditures deductible from taxable income:
  - material and comparable expenditures;

- long-term asset depreciation (amortisation);
  - expenditures for wages;
  - social insurance expenditures;
  - insurance contributions;
  - taxes, duties, and other compulsory payments prescribed by the laws of the Republic of Lithuania and Government resolutions;
  - interest for loans and payments connected with the obtaining of loan guarantees;
  - sums of value-added taxes on imports purchased and paid for, which have not been deducted according to the provisions of the Law on Value-added Tax;
  - expenditures for the repair of long-term tangible assets owned or leased, if, during the fiscal period, they do not exceed 50 percent of the acquired value of these assets;
  - expenditures for maintenance and repairs experienced from the assets of another person leased by a lease (use agreement) (when they do not exceed 50% of the acquisition value of the asset);
  - losses from a natural disaster of the limited size prescribed by the Government of the Republic of Lithuania or an institution authorised by it;
  - expenditures for business trips;
  - representation expenditures, which must not exceed 1 percent of the enterprise's sales income;
  - payments made in favour of employees to personal accounts of participants of pension programs;
  - bad debts found in the fiscal period.
- Taxable profits can also be reduced (by the procedures prescribed by law) for sums allocated for charity and sponsorship.
  - If losses are incurred during the fiscal year, they can be carried over (by the prescribed procedures) to the next fiscal year.
  - Amortisation deductions are included in expenditures on the basis of the procedures prescribed by the Government. The Ministry of Finance together with the Ministry of Economy (at the order of the Government) establishes amortisation rates. They range from 4 years for computers, from 7 to 10 years for most equipment, up to 20 years for most buildings, and up to 95 years for buildings with more than 20 floors. Motor vehicles can be amortised according to the least value method applying an annual 20% or 25% rate or correspondingly from 0.8% to 0.23% rate per 1,000 kilometres.
  - As of 1 January 1999, dividends are taxable. Dividends paid to shareholders are taxed as a source of income applying a 29% profit tax rate. An Enterprise can deduct taxes paid on behalf of a shareholder.
  - Dividends received from abroad are also taxable by applying a 29% profit tax rate.
  - The law prescribes that expenditures be deducted from income only when they are substantiated by documents having legal force.
  - Imports of material valuables must be confirmed for customs declarations.

- The real estate of legal persons as well as of enterprises and organisations not having the rights of a legal person, for which legal registration (except land) is compulsory, is taxable by applying a 1% tax rate on the asset's tax value.
- Legal persons who are leasing land pay a 1.5% land lease tax (on the price of the land).

### **Value - added tax (VAT)**

- The Law on Value-Added Tax of the Republic of Lithuania (No. I-345 of 22 Dec. 1993) prescribes the value-added tax.
- The value-added tax rate in Lithuania is 18%.
- The export VAT rate is 0%.
- The object of VAT are imported goods as well as the added value created and realised in the process of the production of goods, the performance of work, and the rendering of services. Exceptions consist of medical and dentistry goods and services, social services, certain educational, cultural, research services, insurance and banking services as well as other goods and services prescribed in the Law on Value-Added Tax of the Republic of Lithuania.
- Enterprises and persons, whose sales income (receipts), excluding VAT and excluding the sale of long-term assets used for more than a year, does not consist of more than 10,000 Litas for the year, do not need to register as a payer of VAT. They do not calculate VAT and do not pay it into the budget. (*Read about the registration of enterprises as payers of VAT in the "Procedures for the Registration of Activities".*)
- Enterprises and persons, whose sales income consists of from 10,000 Litas to 100,000 Litas for the year (during the previous 12 months) may register as payers of VAT, if they so wish. These persons pay VAT into the budget (VAT is refundable to them from the budget) beginning with the next month after their registration.
- If the sales income of enterprises or persons exceeds 100,000 Litas in a year (the previous 12 months), then they must register as a payers of VAT, calculate VAT, and pay it into the budget by the general procedures.
- Enterprises in free economic zones (enterprise zones) do not calculate VAT or pay it into the budget.
- Legal persons of foreign states, who are carrying out economic-financial activities in Lithuania, must register in the Register of Enterprises.
- Persons registered in the Register of Enterprises can be payers of VAT, i.e. they have the right for VAT from the acquisition of goods (services) to be refunded from the budget.
- The value of taxable goods and services consists of:
  - the cost of producing the goods and rendering services;
  - packaging, transportation, and insurance expenses;
  - collection of payments for equipment;
  - payments for intermediation, commissions, and auction fees;
  - discounts and bonuses not entered on an invoice;

- expenses for the purchase or sell of goods on credit;
  - taxes (duties, excise taxes), except VAT, connected with the realisation of production;
  - expenses for services or other sums not included in the cost of producing goods or the rendering of services, which the buyer paid to the seller of the goods or the one who rendered the services.
- VAT must be declared and paid every month.
  - Payers of VAT, the sum of whose average monthly taxes paid into the budget for the previous 3 months was no less 100 thousand Litass, must also pay into the budget an advance payment (1/3 of the sum, payable into the budget, by the 20<sup>th</sup> of the current month, by the last business day of the month and by the 10<sup>th</sup> day of the subsequent month).
  - For the purpose of VAT control, all commercial transactions must be established in at least two examples of issued and numbered VAT invoices according to the procedures prescribed by the Government.
  - When transporting goods, it is compulsory to have a bill of lading or three copies of the VAT invoice. All necessary information must be shown (filled in) on the VAT invoices and bills of lading.
  - If during a fiscal period, the sum of VAT calculated is larger than the sum of VAT for the goods sold and services rendered, the difference of tax is set-off at the written request of a taxpayer. An overpaid amount and the ground of set-off must be specified in the request.
  - Before requesting a vat set-off, a taxpayer must submit the negative VAT balance statement drawn up for the previous 3 months and all necessary documents (e.g., proving that the goods are being exported (a stamped customs declaration and export certificate confirmed by customs).
  - Before set-off VAT, the tax administrator may perform a verification of the enterprise.
  - The difference of the tax is set-off in favour of the taxpayer within 15 days beginning from the day of a reception of a written request to set-off the tax and all required documentation. In case a tax administrator performs a verification of the enterprise, the difference of the tax is set-off within 10 days beginning from the day of drawing up a decision of the tax administrator.
  - VAT for exported services is refundable only if the services were not rendered in Lithuania (e.g., a Lithuanian consultant travels abroad in order to render consultation services).
  - VAT need not be paid (in fact a special discount system is applicable to it) on assets designated for long-term production, which are imported by enterprises registered as payers of VAT. Resolution No. 546 of 9 May 1996, “On the Value-added Tax” of the Government of the Republic of Lithuania regulates this and other issues.

### ***Tax Payment and the Submission of Reports***

- Those paying profit taxes as legal persons pay the profit tax they calculate into the budget.

- When the income of foreign enterprises is taxable as a source of income by the procedures prescribed by the Law on Profit Tax of Legal Persons, that legal person of the Republic of Lithuania or that permanent address, which pays out the income, calculates and pays the profit tax no later than 15 days after the end of the month when that income was paid out.
- According to the Law on Profit Tax of Legal Persons, advance profit tax for the first 4 months of the fiscal period is calculated according to the sum of profit tax actually calculated for the fiscal period prior to the previous fiscal period.
- The advance profit tax for the fiscal period of remaining 5-12 months is calculated according to the sum of profit tax actually calculated for the previous fiscal period.
- The advance profit tax for each month consists of 1/12 of the sum of profit tax actually calculated for the aforementioned period.
- The advance profit tax must be paid no later than the 15<sup>th</sup> day of the next month after the end of each month of the fiscal period.
- Newly registered enterprises are released from advanced profit taxes for the first fiscal year.
- If the gross income for the previous fiscal year did not exceed 100,000 Lit, an enterprise need not pay advanced profit taxes for the current year.
- Enterprises can themselves establish a fiscal year that does not coincide with the calendar year (e.g., if a foreign parent company has established a fiscal year, which does not coincide with the calendar year or, e.g., a new company is established in the middle of a year). In this case, the computation of the fiscal year is correspondingly changed.
- The Law on the Fundamentals of Accounting (No. I-2654 of 18 June 1992) prescribes that accounting documents and accounting registers be stored by the procedures prescribed by the enterprise's managers and pursuant to the terms for storing documents prescribed by the Lithuanian Archives Department under the LR Government.
- Enterprises must store documentation; copies of all transactions and bills of lading; any documents confirming all expenses (even small ones); and cheques for 10 years.
- Penalties are calculated by the procedures prescribed by Law on Tax Administration of the Republic of Lithuania for late payment or transfer of taxes made after the day when the tax had to have been paid or transferred.
- If a taxpayer does not pay the profit tax arrears within the prescribed term, the tax inspectorate acquires the right to recover the arrears without a court order, i.e. the tax inspectorate presents a collection transfer to the banking establishment, in which the taxpayer has an account. If there is no money in the account, the tax inspectorate, after drawing up a seizure warrant for the taxpayer's assets, sends it to the court bailiffs for execution by the procedures prescribed by law.
- A Tax Loan Agreement can be concluded with a taxpayer having financial difficulty but who has proven that in the future he will be able to pay the arrears and the terms for payment of the arrears can be deferred for up to 2 years. Interest

is payable on the sum actually deferred for the entire deferment period of the term for the payment of the arrears.

- If all the taxes have been paid, an enterprise can petition the tax inspectorate and receive a certificate certifying this fact. These certificates are necessary when one wishes to obtain licences for various activities, selling or buying land, and most import/export operations. Enterprises wishing to obtain such a certificate must submit an application to their area tax inspectorate.

## ***Tax Audits and Resolving Tax Disputes***

Read about the process for tax audits and resolving tax disputes in the “Procedures for Resolving Tax Disputes”.

## ***Import/Export Procedures***

Read about the procedures to import into Lithuania and in part to export from Lithuania in the section for the procedures for exportation into Lithuania.

Specific aspects of exporting from Lithuania include the following:

- **Export permits.** In individual cases specified by legal acts, permits are necessary when exporting, for example:
  - Wild animals (stuffed animals, eggs, animal furs, and leather), hunting and fishing trophies, also products made from untreated wild animals and parts of them.
  - Cultural and art treasures, amber as a raw material, motor vehicles manufactured prior to 1950 including their parts, and historical, geological and other collections.
- **Duties.** At this time, export customs duties are applicable for leather raw materials (30 percent).

## ***Use of the State Language***

- *The Law on State Language of the Republic of Lithuania* (No. I-779 of 31 January 1995) prescribes that the State language of the Republic of Lithuania is Lithuanian.
- The language rules are applicable for the creation of a company name, except the names of foreign firms and joint ventures by Lithuanian and foreign firms. Names must be created while following standard Lithuanian; trademarks must be grammatically correct. Registered international trademarks are recognised automatically.
- Rules and regulations are also prescribed for written and broadcast advertisements. Foreign languages can be used by following certain rules (they are applicable, e.g., for tourism information, international conferences, etc.).
- Labels, booklets, and manuals must be provided in Lithuanian. For example, food products being imported must have Lithuania labels, on which the name of the good, its contents, and the country of manufacture are indicated. In manuals, at least the principle instructions must be translated into Lithuanian. Service personnel (e.g., in retail stores) must have a minimum knowledge of the Lithuanian language (category I).

## ***Inspections***

The officials of various state inspectorates (tax, environmental protection, area planning, and construction) and other institutions (economic and tax police, fire safety officials, SoDra (Social Insurance) inspectors, etc.) can check the activities of enterprises. Some of them are described below:

### **State Labour Inspectorate**

- The Law on the State Labour Inspectorate of the Republic of Lithuania regulates the activities of the State Labour Inspectorate (SLI).
- The primary assignment of the SLI is to execute those legal acts regulating occupational safety and labour relations, prevent violations in enterprises, control how these legal acts are followed and advise employees and employers.
- The SLI verifies how those legal acts regulating occupational safety and labour relations are followed in enterprises; whether the work measures, work stations, technical process, and working conditions in enterprises conform to the requirements of the regulations; controls how the procedures for the supervision of potentially dangerous equipment are followed; verify whether enterprises are equipped with safety measures for their personnel and whether personal protection measures are issued and used by the prescribed procedures; as well as verify the work, organisation of work and rest, etc of adolescents, mothers, and persons of limited working capacity.
- The SLI also investigates the occurrence of serious and fatal accidents at work as well as occupational diseases; controls safety at work and occupational medical services, safety at work committees, internal occupational safety controls and work environment evaluation organisations in enterprises; participates in accepting enterprises and their subdivisions for use; verifies how hygiene requirements are followed in enterprises and whether any illegal work is being performed; and investigates declarations and complaints on questions of work and safety on the job.
- The Law on Safety of People at Work specifies that state labour inspectors and company safety on the job committees by their own decision have the right to demand that employers halt work when:
  - the employees have not been trained to work safely;
  - the breakdown of work equipment or an emergency situation can create or has created the conditions for accidents or acute occupational diseases;
  - due to technological or work procedure violations, the working environment becomes hazardous to health or life; and
  - the employees are not supplied with the required staff and individual safety measures for safety on the job.
- If an employer refuses to carry out the requirement to halt work or if the employer is absent, the state labour inspector shall halt work, if necessary, conducting the employees out the zone of danger.
- The SLI also participates in certifying employees and employers (and the persons authorised by them) for individual categories, and controls the training, certification, and instruction of occupational safety in enterprises. The inspection

of enterprises is most frequently performed as regards traumatism at work, data on an analysis of occupational ailments, and complaints.

- The Chief State Labour Inspector of the Republic of Lithuania, his deputies and labour inspectors can impose the penalties specified by law for violations of the labour laws.

### **Environmental Protection Verification**

- *The Law on Environmental Protection of the Republic of Lithuania* (No. I-2223 of 21 January 1992) specifies that all enterprises or persons, planning to engage in an economic activity, at their own expense, shall prepare documentation about the possible effects to the environment of said activity and submit it for approval. This assessment of the effects to the environment are analysed in order to co-ordinate their conformity to the *Law on the Assessment of the Effects of the Planned Economic Activities on the Environment* (No. I-1495 of 15 Aug. 1996)
- Legal and natural persons, before beginning to operate the objects of an economic activity, must by the procedures prescribed by Ministry of Environmental Protection obtain a permit for the use of natural resources and for emission of contaminants into the environment (permit to use natural resources).
- The regional environmental protection departments of the Ministry of Environmental Protection issue these permits.
- Legal and natural persons must operate the objects of economic activities according to the conditions established in the permit and not exceed the environmental protection norms and standards.
- In order to operate the objects of an economic activity, the activity of which is connected with harmful effects to the environment, legal and natural persons must at their own expense observe the degree of contamination to the environment, the effect of the contamination to the environment, ensure the publicity of the information about it and create conditions to control the contamination.
- Legal and natural persons, when operating the objects of an economic activity, must by the established procedures make an accounting of the use of the natural resources and the emission of contaminants.
- Legal and natural persons, when operating the objects of an economic activity, for which no permit for the use of natural resources and emission of contaminants into the environment is necessary, must follow the environmental protection norms and standards prescribed for such objects.
- Legal and natural persons, having by an illegal activity damaged the environment, the health or life of people, or the property and interests of legal and natural persons, must indemnify all losses and, if possible, restore the condition of the object's environment.
- If natural resources are used without a permit, the legal liability specified by law will occur. In such cases, the enterprise must pay taxes according to the quantity of natural resources being used (which is computed by the procedures prescribed by Ministry of Environmental Protection) and a fine.

- When the environment is contaminated without possessing a permit beforehand as prescribed by law, the damages done are assessed and must be indemnified according to the Resolution of the Government of the Republic of Lithuania “*On the Confirmation of the Methods for Computing Losses Inflicted to the Nature upon the Violation of the Law on Environmental Protection*” (No. 458 of 8 November 1991).

### **Language Inspectorate**

- The State Language Inspectorate must verify the enforcement of the *Law on State Language of the Republic of Lithuania* (No. I-779 of 31 January 1995). More is written about the requirements of this law in the section on the procedures for the “Use of the State Language”.

### **State Tax Inspectorate**

- The State Tax Inspectorate administers the LR tax system. The STI is a state institution created and responsible to the Ministry of Finance. It consists of the STI under the Ministry of Finance and the regional tax inspectorates.

### **Other inspectorates**

Beside the aforementioned institutions, operate:

- the State Non-Food Product Inspectorate under the Ministry of Economy;
- the State Food and Veterinary Service of the Republic of Lithuania;
- the State Public Health Centre;
- the State Road Transport Inspectorate under the Ministry of Transport;
- the State Data Protection Inspectorate under the Ministry of Public Administration Reforms and Local Authorities; and
- other specific purpose inspectorates (for ex. the State Grain Inspectorate and the State Forestry Inspectorate under the Ministry of Agriculture) etc.

## **R. GOOD LUCK!**

- We hope that you found all the information you needed in this guide.
- “Other useful information” is presented in Appendix 16.
- We apologise if we missed something. In that case, we recommend you directly contact the LR legal act base at <http://www.lrs.lt>.
- May your work in Lithuania be successful and profitable!

## ***1 The procedure for ensuring a stay in Lithuania is legal***

### ***A. The decision by a foreigner to visit Lithuania***

### ***B. Do you intend to remain longer than 30 days?***

### ***C. Do you intend to remain longer than 90 days?***

- A foreigner, who intends to live in the Republic of Lithuania longer than 90 days in one year, must obtain a permit for temporary residence in the Republic of Lithuania.
- The Government of the Republic of Lithuania prescribes the procedures for issuing, amending, and abolishing permits for aliens to live in the Republic of Lithuania as well as the procedures for health insurance.
- Foreign investors, who have completed the procedures for registering an enterprise in Lithuania, change their residence status and must obtain a permit for temporary residence. (Previously, they needed to apply for a special visa.)

### ***D. the Ministry of Internal Affairs concerning a permit to temporarily reside in Lithuania***

- A diplomatic mission of the Republic of Lithuania or a consular establishment can grant a request to issue a permit for aliens to temporarily reside in the Republic of Lithuania.
- Aliens have the right **to take up residence** in the Republic of Lithuania by the procedures and under the conditions prescribed by the Law on the Legal Status of Aliens (No. VIII-978 of 17 Dec. 1998). This law also regulates issues concerning the arrival and departure of aliens, their temporary or permanent residence, work, legal responsibilities, and other legal statuses of aliens in the Republic of Lithuania.
- An alien staying legally in the Republic of Lithuania shall submit an application for issuance of a residence permit or a request to change a permit to the Ministry of Internal Affairs or an institution authorised by it.

An alien is eligible to obtain a temporary residence permit in the Republic of Lithuania provided:

- he has retained the right to citizenship in the Republic of Lithuania in the manner prescribed by the Law on Citizenship;
  - one or both of the alien's parents who are citizens of the Republic of Lithuania reside in the Republic of Lithuania;
  - the alien's children who are citizens of the Republic of Lithuania reside in the Republic of Lithuania; or
  - the alien's spouse who is a citizen of the Republic of Lithuania resides in the Republic of Lithuania or has a permanent residence permit in the Republic of Lithuania.
- In cases specified by the law, family members of aliens and persons fully supported by them (children under 18 and persons incapacitated because of age

and disability) are eligible for temporary residence together in the Republic of Lithuania.

Other aliens are eligible to obtain temporary residence permits in the Republic of Lithuania provided:

- they have sufficient means of subsistence from lawful activities in the Republic of Lithuania or abroad;
- they register in the prescribed manner a foreign capital enterprise with the authorised capital or value of shares held of no less than 250,000 Litas;
- they come to the Republic of Lithuania to undertake research or take up teaching positions at scientific or educational institutions;
- they have been enrolled as students at an educational institution or for improvement of their qualifications in the Republic of Lithuania;
- they have been issued a work permit in the Republic of Lithuania; or
- they are students, who have arrived to do research or work in the Republic of Lithuania according to a programme for doing research in an international exchange carried out by public (non-governmental) organisations for a period of one year. This period can be extended for another 6 months.

A permit for aliens to temporarily reside in the Republic of Lithuania can be issued for reasons of humanitarian nature.

### ***E. Temporary residence permits in the Republic of Lithuania that are issued for 3 months***

- A permit to temporarily reside in the Republic of Lithuania is issued for one year and must be renewed 5 times before petitioning for a Permanent Residence Permit.
- At the expiry of the period of validity of a temporary residence permit in the Republic of Lithuania, at the request of the alien, a new temporary residence permit is issued to the alien pursuant to the procedures prescribed for issuing temporary residence permits in the Republic of Lithuania.
- Regardless of the grounds on which a temporary residence permit in the Republic of Lithuania was issued, an alien, after changing his place of residence, must, within 7 days after the change in information, report this to the Ministry of Internal Affairs or an institution authorised by it.

### ***F. Are you a citizen of the state, for the citizens of which a regime when no visa is necessary for some period is in force in Lithuania?***

Most aliens, coming to the Republic of Lithuania, must have a LR visa on a valid travel document, if a LR Government resolution or an international treaty do not specify otherwise. The citizens of certain countries (see table) do not need a visa to arrive in the Republic of Lithuania and remain in it for a certain period of time.

**G.**

<b>States, the citizens of which countries are allowed to enter the Republic of Lithuania without a visa and remain no longer than 90 days per year</b>			
All EU member states Andorra Australia Bulgaria Canada Chile Croatia	Cyprus Czech Republic Estonia Iceland Israel Japan Korea * <b>only 15 days</b>	Latvia Liechtenstein Malta Monaco New Zealand Norway Poland San Marino	Slovakia Slovenia Switzerland Eastern Republic of Uruguay USA Vatican City Venezuela
<b>States, the citizens of which countries, holding a diplomatic passport, are allowed to enter the Republic of Lithuania without a visa and remain no longer than 90 days per year</b>			
Belarus Romania (only with diplomatic and service passports)	Turkey(only with diplomatic, service, and special passports)	Ukraine(only with diplomatic and service passports)	
<b>States, the citizens of which countries, are allowed to enter the Republic of Lithuania without a visa and remain no longer than 30 days per year</b>			
The Republic of Hungary		The People's Republic of China (diplomatic and service passport holders)	
<b>States, the citizens of which countries, are allowed to enter the Republic of Lithuania without a visa and remain no longer than 6 months per year</b>			
The United Kingdom of Great Britain and Northern Ireland			
<b>States, the citizens of which countries, are allowed to enter the Republic of Lithuania without a visa and remain no longer than 90 days every 6 months</b>			
Citizens of the States of the Schengen Agreement, except the Republic of Austria			

***H. Petitioning the Visa Service with documents and the fee for a LR visa***

- All citizens, not belonging to the aforementioned countries, having arrived in Lithuania for tourism, commercial, or health matters, must obtain an ordinary visa.
- Visas are issued at LR diplomatic mission offices and consular establishments (usually within 7 business days from the request and the submission of the necessary documents), the Consular Department of the Ministry of Foreign Affairs, and the Migration Department under the Ministry of Internal Affairs or in those migration services authorised by it, and in exceptional cases (by the procedures prescribed by the Government of the Republic of Lithuania) visas can also be issued to all aliens at border control points by the Border Police Department under the Ministry of Internal Affairs. The entire period of a stay in the Republic of Lithuania with an ordinary visa, issued at a border control point, cannot be longer than 10 days. These visas may not be extended.
- Documents, submitted to obtain a visa, must be legalised. Lithuania ratified the 1961 Hague Convention, "On The Abolishment of the Legalisation of Documents

Issued by Foreign States”. Thus it is necessary to legalise in consular establishments only those documents, which come from countries, which have not ratified the Convention. Lithuania has also signed treaties concerning the non-requirement of legalised documents with 9 countries, which have not signed the aforementioned Convention (Belarus, Estonia, Kazakhstan, Latvia, Moldova, Poland, Russia, Ukraine, and Uzbekistan).

- A consular fee or official fee (see table) is collected for the issuing of visas. Official fees for issuing visas are paid at the border or inside the country.
- Ordinary visas are valid up to one year. The entire period of a stay in Lithuania with an ordinary visa cannot last longer than the 90 days in the year from the day of first arrival in Lithuania.
- Transit visas are issued to aliens having to travel through the territory of Lithuania to another state. Group transit visas\* can be issued. It is possible to stay in Lithuania each time with a transit visa no longer than 48 hours.

Type of visa	Fee for issuing the visa
Ordinary visa	20 US dollars
Special visa	50 US dollars
Transit visa	5 US dollars
Double-entry visa	15 US dollars
Collective visa	10 US dollars each per person
Collective transit visa	5 US dollars each per person
Collective double-entry visa	15 US dollars each per person
If the visa is multiple-entry	+20 US dollars additionally per person
If visa issuance is expedited – within 24 hours	+20 US dollars additionally per person
If visa issuance is expedited – within 72 hours	+15 US dollars additionally per person
<b>TYPE OF VISA</b>	<b>OFFICIAL FEE RATES</b>
Ordinary single-entry visa	110 Litas
Special visa	215 Litas
Transit visa	28 Litas
Group visa	55 Litas each per person

**Remarks:** If a visa is issued at a border control point, the official fee is increased by 50 Litas. If the visa is double-entry, the fee is increased by 50 Litas, and if multiple-entry, by 100 Litas. For issuing a visa by expedited procedures within 24 hours, the official fee is increased by 100 Litas, within 72 hours, by 75 Litas.

***1. Within 7 days or (for an additional fee) within 72 or 24 hours from the delivery of the documents, an LR visa will be issued to you***

See the table above for the fees for a visa.

### ***J. Are you planning to find a job in Lithuania?***

- Aliens have the right to take up residence in the Republic of Lithuania by the procedures and under the conditions prescribed by the Law on the Legal Status of Aliens of the Republic of Lithuania (No. VIII-978 of 17 Dec. 1998). This Law also regulates issues concerning the arrival and departure of aliens, their temporary and permanent residence, **WORK**, legal responsibilities, and other issues concerning the legal status of aliens in the Republic of Lithuania.

### ***K. Do you belong to that group of people who are not required to obtain a work permit?***

- An alien wishing to take up employment under an employment contract must obtain a work permit.
- The procedures for the employment of aliens in the Republic of Lithuania under an employment contract have been confirmed by an order of the Minister of Social Security and Labour. According to these procedures, the National Labour Exchange issues permits to work.

An alien is released from the duty to obtain a work permit provided he:

- has a permanent residence permit in the Republic of Lithuania;
- has a temporary residence permit in the Republic of Lithuania, issued in accordance with subparagraphs 1-4 of paragraph 1 of Article 19 of the Law on the Legal Status of Aliens;
- wishes to be employed in order to implement joint programmes of the Government with foreign states;
- is a manager or his authorised representative of a foreign enterprise or an institution that has established economic relations with a counterpart enterprise or an institution of the Republic of Lithuania;
- is a professional sportsman and he has come to work for a period of no longer than 6-months;
- is a manager or his authorised representative of a foreign capital company or a specialist who has come to commission and calibrate equipment acquired abroad or to train the staff how to operate the equipment, or a consultant who has come to work for no more than 3 months;
- has come to Lithuania to work in educational establishments, institutions of higher education or pedagogical work for a period of no more than 90 days; or
- is a student coming to do research or work in the Republic of Lithuania according to an international exchange student research programme being carried out by a public (non-governmental) organisation for period of one year. This period can be extended another 6 months.

### ***L. Petitioning the National Labour Exchange concerning a permit to work in Lithuania***

- An alien, who wants to obtain a permit to work under an employment contract in the Republic of Lithuania, is to submit a request of the prescribed form to the territorial labour exchange, attached to which request must be:
  1. the employer's agreement, of the prescribed form, to employ the alien;

2. a certified, true copy of the enterprise's registration certificate;
3. a certified, true copy of its insurance registration certificate;
4. a certified, true copy of a document confirming the person's identity; and
5. a certified, true copy of the alien's diploma or other document confirming the person's qualification, translated into Lithuanian.

### ***M. Issuing a work permit in Lithuania***

- The National Labour Exchange, on the basis of the alien's request to obtain a permit to work and the conclusions of the territorial labour exchange and taking into consideration the needs of the internal labour market and the annual quota of aliens employed in the Republic of Lithuania, which is established by the Government of the Republic of Lithuania, makes a decision concerning the issuance to a alien of a work permit.
- The request of a alien to issue a permit to work in the Republic of Lithuania must be examined no later than within 3 months of the day the request was submitted.
- After the making of a positive decision, a notice is sent to the alien, which indicates the sum of the official fee for the work permit, which it is necessary to pay, and the date of issue for the work permit.
- After partly supplementing Order No. 470 of 26 Sept. 1997 of the Ministry of Internal Affairs "On the Confirmation of the Form and Rules for Inviting Aliens to Temporarily Enter the Republic of Lithuania", aliens, who are working in the Republic of Lithuania under an employment contract and who have a permit to temporarily reside in the Republic of Lithuania, can submit a request to the Migration Service to issue an invitation for his/her spouse and children to temporarily enter the Republic of Lithuania. In this case, the alien's family members have the right to request a visa for the Republic of Lithuania to enter the Republic of Lithuania and remain in it for no longer than 90 days.
- A work permit is issued to an alien for no more than one year, indicating his work (duties) and enterprise (establishment) in which the alien will work.
- In the event of business exigency, a permit may be issued by the Ministry of Social Security and Labour for the period necessary to complete the work in progress but not longer than two years. If the employment contract is extended, such aliens are included in the aliens' employment quota for that year.

### ***N. An employment contract is drawn up for a period no longer than the work permit obtained***

- An employer may conclude an employment contract only with an alien who has a valid work permit, with the exception of cases specified in Article 26 of the Law on the Legal Status of Aliens of the Republic of Lithuania.
- An employment contract is to show as compulsory conditions for which work (position) and for what period the aliens is being hired as well as the alien's obligation to work only the work indicated in the employment contract and to depart from the LR at the expiry of the time prescribed in the employment contract.

- An employment contract with an alien cannot be concluded for a longer period than the employment permit the alien has obtained.
- The employer is to present an employment contract signed by both parties within 3 days to the labour exchange for registration, which is to verify within 2 weeks whether the alien is to be employed according to the procedures and conditions prescribed in this law.
- The employment contract comes into force when it is registered with the Lithuanian Labour Exchange.
- The Law on labour of the Republic of Lithuania and the Law on the Legal Status of Aliens of the Republic of Lithuania regulate the labour relations of an alien.

***O. Good luck now that your visit/work in Lithuania is legal!***

- After the purpose for a stay in Lithuania has changed, aliens, no later than within 3 days after their legal status in Lithuania has expired, must petition for a corresponding visa (i.e. the process begins from the beginning).

## ***2. The procedure for registering an enterprise***

### ***A. Beginning the process for registering a business in Lithuania***

The Law on Register of Enterprises of the Republic of Lithuania (No. I-440 of 31 July 1990), the Law on Enterprises of the Republic of Lithuania (No. I-196 of 08 May 1990), Order No. 46 of 23 Nov. 1995 of the Statistics Department under the Government of the Republic of Lithuania, the Law on Company Name of the Republic of Lithuania (VIII-1286 of 01 July 1999) and other legal acts regulate issues concerning the registration of a business in Lithuania.

### ***B. Petitioning the LR State Patent Bureau (VPB) concerning the registration of a new Company Name***

- An enterprise's name must be registered with the LR State Patent Bureau as the Company Name.
- An investor must submit an application to the State Patent Bureau, which shows the applicant's name and surname, or company name, as well as the name of the company being registered, the type of company, and the company's registered address. (Applications must be signed.)
- A state duty is payable for the submission and registration of an application, for subjects of the Republic of Lithuania, 52.50 Litas and for aliens, 70 Litas. A single excerpt from the register is respectively 7.5 Litas for subjects of the Republic of Lithuania and 10 Litas for aliens.

### ***C. The SPB within 3 business days is to perform an examination of the application for a company name and within 20 days, an examination of the company name***

- The State Patent Bureau within 3 business days is to perform an examination of the application for a company name, and within 20 days, an examination of the company name and make a decision concerning the conformity of the company name to the requirements of the Law on Company Name of the Republic of Lithuania.

### ***D. Does your company name meet the requirements of the Law on Company Name of the Republic of Lithuania?***

- The State Patent Bureau makes the decision concerning the conformity of a company name to the requirements of the LR Company Name Law.
- The Law on Company Name of the Republic of Lithuania (No. VIII-1286 of 1 July 1999) regulates the registration of company names.

### ***E. The VPB made a decision not to register the company name***

***F. Are you going to appeal against the decision to the SPB Manager?***

- An applicant, after receiving a decision not to register a company name, has the right to appeal against this decision in writing within 30 days from the day the decision was made to the manager of the Company Name Register Management Institution (in this case, the VPB).

***G. Submitting an appeal to the SPB manager within 30 days of the decision's being made***

- This procedure does not restrict one's right to submit another company name for registration.

***H. An appeal is to be investigated within 10 days and a decision made***

- An appeal must be investigated within 10 business days.

***I. Was consent granted to register the name?***

***J. Are you going to appeal against the decision to the courts?***

- An applicant, not satisfied with the decision of the manager of the Company Name Register Management Institution, has the right to appeal against it to the courts within 30 days from the making of the decision by the procedures prescribed by law.

***K. Making an appeal to the courts within 30 days of the decision of the VPB manager***

***L. The SPB issues certificate for a company name to the applicant or sends it to him by post and enters it into the Company Name Register of the Republic of Lithuania***

- After making a decision to register a company name, a certificate for the company name is issued to the applicant and if the applicant does not pick up the certificate within 30 days, it is sent to him by post.
- The company name is entered in the LR Company Name Register.
- The exclusive rights to the company name are valid from the registration of the company and valid the entire period the company is operation.
- Temporary protection of a company name is valid from delivery of the application until the company's registration but no longer than one year.

***M. Petitioning the municipality with documents concerning the obtaining a permit for an economic activity***

- A permit from a local municipal institution to engage in an economic activity is necessary when an enterprise is registered with the LR Ministry of Economy (in the case of a foreign investor and other cases specified in the Law on the Register of Enterprises of the Republic of Lithuania).
- In other cases, the registration of an enterprise is equivalent to a permit to engage in that economic activity.

***N.A municipality is to investigate the question of a permit to engage in an economic activity within 15 days, make a decision, and within 3 days inform the founder of the enterprise.***

- The municipal body, after receiving all the founding documents of an enterprise, must within 15 days investigate the question of a permit to engage in an economic entities activity and notify the founder of the enterprise in writing within 3 days of its decision.

***O. Was the permit issued?***

- A permit issued by a municipality for the purpose of registration is valid for 1 year.
- After the expiry of this term to register the enterprise, it is necessary to obtain a new permit from the municipality.

***P. Are you going to appeal against the decision by court procedures?***

After the refusal by a municipal body to grant a permit or a decision to revoke a permit to engage in an economic activity, the founder of the enterprise no later than 30 days after the delivery of the body's decision can dispute it by court procedures. The Law on Enterprises of the Republic of Lithuania (No. I-196 of 08 May 1990) regulates these issues.

***Q. The court procedures***

***R. Conclusion of the procedure***

Unfortunately, you failed to register your enterprise. Try again. Another enterprise. Another business.

## ***S. Petition the LR Ministry of Economy with documents concerning the registration of an enterprise (UAB or AB)***

- An investor is to submit the documents necessary to register an enterprise to the local municipality (i.e. the municipal council, in the territory of which they are planning their activities) or to the LR Ministry of Economy for an enterprise being registered, which was founded with state funds, as well as for those, in which foreign capital is invested, enterprises performing insurance activities, Chambers of Commerce, Industry and Crafts and an association of theirs, and the representative offices of foreign enterprises.
- The Bank of Lithuania registers commercial banks and their subdivisions (branches, departments), other credit establishments, their statutes (articles of association), subsidiary banks of foreign banks, and representative offices of Lithuanian and foreign banks.

### **The documents necessary for registering an enterprise**

It is necessary to submit the following documents to register an enterprise (public or private company) with the respective state institution (LR Ministry of Economy or the local municipality):

1. An application to register the enterprise;
2. The memorandum of association, which must be prepared pursuant to the requirements of the LR Company Law and other laws for types of enterprises;
3. The articles of association, which must be prepared pursuant to the requirements of the LR Company Law and other laws for types of enterprises;
4. The certificate for the company's name issued by the State Patent Bureau;
5. A certificate from the owner of the premises about granting the premises for the commercial-economic activities of the enterprise (indicating for what time and the address of the premises);
6. A certified, true copy of the minutes (and its supplement) of the constituent meeting of the shareholders;
7. A bank certificate about the initial contribution located in a savings account to form the company's authorised capital (the account must be opened in the enterprise's name in a local bank);
8. A certificate about the payment of registration fee (500 Litas); and

9. Other documents depending on the type of enterprise registered and other circumstances. For example:
- A permit from the local municipality if the enterprise is registered with the Ministry of Economy of the Republic of Lithuania;
  - A certificate about shares registered with the securities commission;
  - In the case of stock companies, a founding report and auditor's conclusion must be submitted;
  - If investor is a natural person, he must submit a document (for example, a certificate from a bank) confirming that he has the financial funds necessary for investment in the new enterprise.
- If the investor is an enterprise (founder) registered abroad, the following additional documents must be submitted:
- a copy of the foreign enterprise's registration certificate or a document corresponding to it about legal registration of the enterprise in its own country;
  - the balance sheet for the last financial-economic year or another acceptable document, confirmed by an auditing firm, confirming the capability of the investor to perform the requirement for capital sufficiency;
  - a document confirming the decision of the foreign enterprise's management body to found an enterprise or invest capital in Lithuania;
  - a copy of the foreign enterprise's articles of association or a copy of a document corresponding to the articles of association.
- Registration documents are to be submitted in Lithuanian or with an official translation into Lithuanian. (This is performed by a translation bureau.)

### **Legalisation of documents**

- The certified, true copies of all documents submitted by foreign enterprises must be legalised by the procedures prescribed by law.
- Documents of countries, which have joined the Hague Convention of 5 October 1961, "On the Abolishment of Legalisation of Documents Issued by Foreign States", must be confirmed by an APOSTILLE certificate.
- Documents of countries, which have not joined this convention, are legalised on the basis of the instructions for legalising consular documents confirmed by the Ministry of Foreign Affairs.

### ***T. A decision to register an enterprise is to be made within 15 days***

- A decision to register or refuse to register an enterprise must be made no later than within 15 days from the submission of all the necessary documents.

***U. Was the decision positive?***

➤ An enterprise is held to be founded from the day it was registered in the Register of Enterprises of the Republic of Lithuania.

***V. Are you going to appeal against the decision by court procedures?***

If you think that the refusal to register your enterprise was unlawful, you can appeal against this decision by court procedures.

***W. The court process***

***X. The registration process for a company is completed!***

### ***3 Registration of a business***

#### ***A. AN ENTERPRISE REGISTERED WITH THE MINISTRY OF ECONOMY OR THE LOCAL MUNICIPALITY***

After registration of an enterprise with the Ministry of Economy or the local municipality, the following actions need to be undertaken:

- The investor (enterprise) is to register as a taxpayer with The Register of Taxpayers in the State Tax Inspectorate.
- The investor (enterprise) is to register as a payer of VAT with the State Tax Inspectorate (as is specified in the Law on Value-Added Tax of the Republic of Lithuania).
- The investor is to be registered as insured with the State Social Insurance Board.
- The investor is to register his trademark and/or patent, if that is necessary.

#### ***B. Does the enterprise pay LR profit taxes?***

- An enterprise, receiving income in the Republic of Lithuania, must pay taxes in the Republic of Lithuania.
- The Law on Profit Tax of Legal Persons of the Republic of Lithuania, the Law on Income Tax of Natural Persons of the Republic of Lithuania and other legal acts regulate these issues.

#### ***C. Petitioning the local tax inspectorate for registration as a taxpayer***

- An enterprise must register as a taxpayer within 5 days from the registration of the enterprise with the Register of Enterprises or if the registration of the entity in the Register of Enterprises is not specified, from the beginning of its activities.
- Registration as a taxpayer is performed in all 49 branches of the city and regional state tax inspectorates.
- A taxpayer is to register with the area tax inspectorate, in whose territory he is operating.
- For an enterprise to be registered, it is necessary to fill out an application form and mark the required boxes.
- After filling out the form, the taxpayer can register for the various taxes, which he must pay (except VAT and social insurance taxes, which are described below).
- This form must be submitted to the tax inspectorate together with the enterprise's registration certificate (or identification documents, if the investor is a natural person) and regulations of the enterprise (the branch).
- A taxpayer is provided with a single registration number for all the taxes, which he must pay.
- The taxpayer identification number is the business identification number provided by the Register of Enterprises and for natural persons, the personal identification number provided by the Register of the Population and only those entities, who, for some reason, cannot be provided with an identification number by the Register of Enterprises or the Register of the Population, are provided with a temporary taxpayer identification number.

#### ***D. The tax inspectorate registers an enterprise in 5 day if the documents submitted satisfy the requirements***

- If the documents submitted meet the prescribed requirements, a taxpayer is registered within 5 days beginning from the day of reception of the application and registration documents.
- The registration with the Register of Taxpayers comes into force after it has been inscribed in the Central Data Base.
- Registration is free of charge.

#### ***E. Does your enterprise pay VAT taxes?***

Enterprises are divided into 3 categories depending on the size of their annual sales income:

12. Those enterprises, the annual income of which from the realisation of sales and services is less than 10,000 Litas, may register as a payer of VAT or calculate and pay this tax into the state budget. The VAT, which is obtained from sales and services and which has been paid by such an enterprise, is non-refundable.
13. Those enterprises, the annual income of which ranges from 10,000 Litas to 100,000 Litas can, of their own choice, register as a payer of VAT and calculate and pay this tax into the state budget, beginning the month following registration.
14. Those enterprises, the annual income of which exceeds 100,000 Litas must register as a payer of VAT and calculate and pay this tax into the state budget, beginning from the month when their income exceeds the sum indicated.

#### ***F. Petitioning the tax inspectorate to register as a payer of VAT***

- Enterprises, which must pay VAT, must register with the STI as payers of VAT.
- In order to register as a payer of VAT, an investor (enterprise) fills out the form provided by the STI.

#### ***G. Registering with the tax inspectorate as a payer of VAT***

- The Law on VAT Law of the Republic of Lithuania and other legal acts regulate these issues.

#### ***H. Petitioning the area branch of the State Social Insurance (SSI) Fund Board concerning registration of an enterprise as a social insurance payer***

- Each enterprise must register with the area branch of the SSI Fund Board as a State Social Insurance Fund (SoDra) payer within 10 days from the day the enterprise was founded and register each employee in the area branch from the first day of their employment (within 3 days).
- Employers can be released from social and health insurance contributions for foreign employees if they are carry social and/or health insurance abroad and if the necessary documents are submitted to the SSI Fund Board.

### ***I. An enterprise is registered as a social insurance payer***

- After registration, employers obtain a SoDra certificate and identification number as well as a description of the rights and duties of employers and employees.
- The certificate indicates the bank account, into which contributions, debts, and fines for violations of the payment conditions, must be transferred.

### ***J. Do you wish to register your intellectual property in the Republic of Lithuania?***

Lithuania is a member of the following intellectual property protection organisations:

- A member of the World Intellectual Property Organisation (WIPO) since 30 April 1992;
- The Paris Convention for the Protection of Industrial Property since 22 May 1994, ratified 28 May 1996;
- The Patent Co-operation Treaty (PCT) since 5 July 1994;
- A collaboration agreement with the European Patent Organisation (EPO) for co-operation and for an extension of European patents into Lithuania since 1 March 1994;
- The Nice Treaty concerning the International classification of Goods and Services for the Purposes of the Registration of Marks since 22 February 1997;
- The Protocol to the Madrid Treaty concerning the International Registration of Marks since 15 November 1997;
- The Bern Convention on the protection of Literary and Artistic Creation since 14 December 1994;
- The Trademark Law Treaty (TLT) since 27 April 1998; and
- The Budapest Treaty on the Recognition International of the Deposits of Micro-organisms for the Purpose of Patent Procedure since 9 May 1998.

### ***K. Do you want to register your trademark in the Republic of Lithuania?***

- It is possible to legally protect trademarks and service marks in Lithuania in two ways:
  - By handing in an application to the national administration (in this case, the SPB); or
  - Since 15 Nov. 1997, by extending your international trademark registration into the Republic of Lithuania in accordance with the Protocol to the Madrid Treaty on the registration of international trademarks.
- Any notation, the purpose of which is to distinguish the goods belonging to one person from the goods belonging to another or the services rendered by one person from the services rendered by another and which can be portrayed graphically, can be considered a mark that can become a trademark.
- Protection, registration and usage of trademarks is regulated by the Law on Trademarks (10 10 2000 No. VIII-1981)

### ***L. Petitioning the State Patent Bureau (SPB) concerning the registration of a trademark***

- A natural or legal person, who wishes to register a trademark, must hand in an application to the State Patent Bureau consisting of:
  1. A request to register a trademark and to issue a certificate of a trademark;
  2. a document confirming that the state duty has been paid: applicants of the Republic of Lithuania, natural and legal persons, pay 180 Litas for handing in an application and 90 Litas for each additional class while aliens pay 240 Litas and 120 Litas, respectively; and
  3. a document confirming the authorisation of a representative, (if necessary).
  4. If necessary: a request to grant a priority, authorisation, and regulations of a collective usage of a trademark, the permission of an owner of the right.
- A request to register a trademark must contain the data of identification of an applicant and his representative, an image and description of the trademark and names of goods and services for which the trademark is desired to be registered, created in accordance with the Nice classification. Other references may also be included.
- A separate application must be submitted for each trademark.
- An applicant's representative can hand in the application. Foreign natural persons without permanent residence in the Republic of Lithuania and foreign legal persons without a registered branch or mission in the Republic of Lithuania can hand in applications to the State Patent Bureau only through a patent attorney of the Republic of Lithuania.

***M. The experts at the SPB verify the trademark, enter it in the LR Trademark Register and publish it in the official bulletin of the SPB***

- The SPB performs a trademark investigation concerning its conformity to absolute criteria, which are specified in the Law on Trademarks.
- When the experts at the State Patent Bureau confirm a trademark for goods, it is entered into the Register of Trademarks of the Republic of Lithuania.
- After a trademark has been entered into the Register of Trademarks, it is published in the official bulletin of the State Patent Bureau.

Beginning from 01 01 2001 the procedure of the registration of trademarks is the following:

- The State Patent Bureau (SPB) performs a formal investigation of documents submitted within 1 month, give a date and a number of submission to the application if it meet the requirements and send a certificate of reception of an application to an applicant or his representative.
- The State Patent Bureau performs a trademark investigation concerning its conformity to absolute criteria.
- The State Patent Bureau makes a decision to register a trademark and send this decision and a direction to pay the required fee to the applicant or his representative.

- When an applicant or his representative presents a document confirming the fee paid, the trademark is entered into the Register of Trademarks of the Republic of Lithuania and is published in the official bulletin of the State Patent Bureau.
- If the State Patent Bureau refuses to register a trademark, within three months from the day the negative decision was made, an applicant or his representative has a right to apply for the repeated investigation.
- Within three month, an applicant or his representative has a right to appeal against results of the repeated investigation to the Department of Appeal of the State Patent Bureau.
- Within six month, an applicant or his representative has a right to appeal against the decision of the Department of Appeal to the court.

***N. Was your trademark registration protested?***

- Since a self-responsibility system for registration of industrial property is applied in the Republic of Lithuania, therefore the experts do not verify the identity or similarity of the trademark filed for registration with the Trademarks and Service marks already registered or filed for registry.
- Interested persons can perform a search in the Lithuanian Technical Library of the Patent Centre and within 3 months of its being published, pay the prescribed fee and file a protest concerning the registration of the trademark.

***O. Was the protest rejected?***

- If the protest was rejected, a certificate for the registration of the trademarks is issued.

***P. Are you registering a new trademark for goods?***

***Q. The SPB issues certificates for the registration of trademarks and service marks***

- After the expiry of the indicated time for protesting or the rejection of the protest, a certificate for the registration of the trademarks is issued.
- The initial term of validity for a trademark is 10 years from the day the application was handed in.
- The term of validity for the trademark can be extended each time for no longer than 10 years.

***R. Do you wish to register a patent in the Republic of Lithuania?***

- A patent can be obtained in three ways in Lithuania:
  - By filling out an application and submitting it to the SPB;
  - Handing in an international search in accordance with the Patent Co-operation Treaty (PCT);
  - By extending a European patent into the Republic of Lithuania, i.e. a patent issued by the European Patent Service according to a European patent application, which requests its validity be extended into the Republic of Lithuania.

### ***S. Petitioning the Patent Registration Institution (SPB)***

- An applicant, a natural or legal person who wants to obtain a patent, must submit a patent application, which consists of:
  1. a request to issue a patent;
  2. a description of the invention;
  3. a claim for one or more points of the invention;
  4. drawing if these are needed to explain the nature of the invention;
  5. an abstract;
  6. a document confirming that the tax was paid (state duty for an application is 450 Litas for Lithuanian applicants and 600 Litas for aliens, the duty for issuing a patent is 180 Litas and 240 Litas, respectively);
  7. A document about the right to hand in an application (if the inventor is not handing it in) and a declaration concerning the authorship of the invention.
- Foreign legal and natural persons are to hand in applications to the State Patent Bureau through a patent attorney of the Republic of Lithuania.

### ***T. The SPB publishes the patent application submitted by the applicant in its official bulletin***

- The State Patent Bureau publishes such patent applications as are submitted by applicants in its official bulletin, after 18 months have passed from their submission date or if preference is claimed, from their precedence date.
- If the applicant requests the State Patent Bureau in writing to publish his patent application earlier (after paying an additional 120 Litas fee), the State Patent Bureau will so publish it but no earlier than 6 months after its submission date.
- In Lithuania, a self-responsibility for issuing patents, which does not carry out essential examinations, is applied. In this manner, all the responsibility for the novelty of an invention being patented, the level of the invention, and the industrial applicability falls to the applicant.

### ***U. Paying for the registration of a patent***

### ***V. The VPB enters a patent in its Patent Registry and publishes it in the official VPB bulletin***

- After an applicant has paid the fee, a patent is issued within 6 months.
- After the fee has been paid, the patent is entered in State Patent Registry and published in the official bulletin of the State Patent Bureau.
- A patent is valid for 20 years from the date of the submission of the patent application.
- The term of validity for a patent depends on the payment of an annual fee.
- The initial annual fee is paid for three years of validity.
- The annual fee is paid during the last two months of the current year while the patent is valid.

- The annual fee can be paid within 6 months of the expiry of the prescribed term, but for 50 percent more.

***W. The process for registration of an enterprise has been completed***

## ***4 The Procedure for Licensing an Activity***

### ***A. A decision to begin an activity, which requires a licence, in Lithuania.***

- The Law on Enterprises (No. I-196 of 08 May 1990) and special laws regulating corresponding commercial economic activities (e.g.. Energy, Pharmacy, Transport activity fundamentals, etc.) establish the areas of commercial-economic activities, which require a licence to perform.
- The Law on Enterprises prescribes that, until laws regulating the areas of commercial-economic activities or amendments and supplements to the corresponding laws have been passed and come into effect, the following areas of commercial-economic activities are to be licensed in accordance with the licensing regulations confirmed by the Government of the Republic of Lithuania:
  1. manufacturing of explosive materials, explosives, and pyrotechnics;
  2. manufacturing of stamps and seals;
  3. manufacturing, wholesaling and warehousing of dangerous chemical materials (according to the list confirmed by the Ministry of Environment);
  4. the import and sale of pyrotechnics (according to the list confirmed by the Ministry of Internal Affairs);
  5. printing securities and document forms;
  6. performing state land surveying, geodetic topographical works;
  7. organising cash and cash-and-cash prize lotteries;
  8. purchasing scrap and waste of non-ferrous metals in the Republic of Lithuania for resale;
  9. purchasing scrap and waste of ferrous metals in the Republic of Lithuania for resale.
- Foreign investment is not allowed in all licensed activities: the Law on Investments of the Republic of Lithuania (VIII-1312 of 07 July 1999) prescribes that foreign investment is prohibited in the following commercial-economic activities:
  1. assuring state security and defence (except investments from foreign entities conforming to the criteria for European and transatlantic integration, which have been selected by Lithuania, if the state defence council approves them); and
  2. the organisation of lotteries.
- Only state enterprises, municipal enterprises, and special purpose stock and joint stock companies, and only while they possess a license issued by the procedures prescribed by the Government of the Republic of Lithuania, have the right to engage in the following activities:
  1. the manufacture of alcoholic products, in which the volumetric ethyl alcohol concentration exceeds 22 percent. Only state enterprises, if the Law on Alcohol Control does not prescribe otherwise, have this right; and
  2. the printing of banknotes and postal stamps as well as the minting of coins.

- The Law on Tobacco Control prescribes that the retail sale of tobacco products is also licensable.

### ***B. Petitioning with documents the government institution authorised to issue a license for the type of activity you desire***

This section will discuss the most important instances of the licensing of an activity:

- The licensing of banks;
- The licensing of insurance companies;
- The licensing of pharmaceutical activities;
- The licensing of the manufacture and importation of alcohol; and
- The licensing of the import, export, wholesale and retail trade in oil products.

#### **The licensing of banks**

- The Law on Commercial Banks of the Republic of Lithuania (No. I-720 of 21 Dec. 1994) and the Law on the Bank of Lithuania (No. I-678 of 01 Dec. 1994) regulates these issues.
- According to the regulations of these laws, a Commercial Bank can be founded as a joint stock company or a stock company.
- A foreign subsidiary bank can be founded as a joint or open stock company in only a close manner.
- The founder of a foreign subsidiary bank can only be a bank.
- The authorised capital of any subsidiary bank being founded must be no less than the minimum basic capital prescribed by the Bank of Lithuania, which at this time is no less than 5 million EURO.
- A foreign bank can found a bank branch (department) and representative offices in the Republic of Lithuania.
- The Bank of Lithuania carries out the supervision of commercial banks having a license from the Bank of Lithuania. The Credit Establishment Supervision Department of the Bank of Lithuania performs this function.
- The minimum number of founders for a commercial bank is seven. Each bank founder must be a shareholder of it, acquiring at the time of founding no less than 2 percent of the bank's authorised capital, except in cases where a subsidiary bank is being founded by a foreign bank or in a case where the Government of the Republic of Lithuania is founding the bank, when the regulation for the number of founders does not apply.
- Natural or legal persons or enterprises not having the rights of a legal person, can be shareholders in a commercial bank, after acquiring bank shares by the procedures prescribed by the law.
- A person, after acquiring or beginning to control 1/10 or larger part of the authorised capital granting the right to vote or of bank shares, without the permission of the Bank of Lithuania, does not have the right to vote in a general shareholders' meeting.

- Bank shareholders cannot be:
  1. State government or governing institutions, except the Government and municipalities of the Republic of Lithuania;
  2. Budgetary establishments;
  3. Subsidiary banks and enterprises of this bank;
  4. Enterprises, where their investment in the capital of this bank consists of 10 or more percent of the size of their capital;
  5. Persons, which have been sentenced for crimes to economic procedures and for financial crimes;
  6. Persons, who cannot prove the legal acquisition of the funds used for acquiring the shares;
  7. Persons having financial obligations (liabilities) to the bank; and
  8. Any economic entities, which refuse to provide the Bank of Lithuania with information about their shareholders, activities, and financial condition;

### **The licensing of insurance enterprises**

- The State Insurance Supervisory Service under the Ministry of Finance, which issues licences to engage in insurance activities, controls the activities of insurance enterprises.
- Any enterprise wishing to engage in insurance activities must meet the following requirements:
  1. the enterprise must be founded as a stock company or joint stock company by the procedures prescribed by the law and may not engage in any other commercial economic activity, except insurance and activities connected therewith;
  2. the organizing fund not less than LTL 1,000,000 for founding expenses and expenses incurred during the initial stage of its functioning shall be formed;
  3. the enterprise must possess fully paid-up its authorized capital not less then:
    - in enterprises organizing life insurance, 4,000,000 Litas;
    - in enterprises organizing non-life insurance, except credit insurance, 2,000,000 Litas; and
    - in enterprises organizing credit insurance, 7,000,000 Litas;
  4. the enterprise has a board comprised of members of excellent repute, a qualified administration manager with experience of work in insurance companies, a chief accountant (financier) and, in case of a life insurance company, an actuary;
  5. the enterprise is in possession of premises; and
  6. the enterprise must obtain a license from the Insurance Supervisory Service.
- a foreign insurance enterprise can be a founder of an insurance enterprise or a branch, if:
  1. it has a license for insurance activities issued by the foreign state, to the jurisdiction of which it belongs;

2. it has a permit from the institution of the foreign state, to the jurisdiction of which it belongs, which institution carries out the supervision of insurance enterprises, to found an insurance enterprise in the Republic of Lithuania; and
3. it has a certificate that the insurance companies of the Republic of Lithuania may conduct insurance activities in the country, in which the foreign insurance enterprise has its registered address provided the foreign country is not a member of the World Trade Organisation.

### **The licensing of pharmaceutical activities**

- Article 10 of the Law on Pharmaceutical Activities of the Republic of Lithuania prescribes that enterprises in the Republic of Lithuania, subdivisions of health care establishments, and natural persons can engage in pharmaceutical activities only while they have a permit (license) from the Ministry of Health.
- The Pharmaceutical Activity Licensing Regulations were confirmed by Resolution No. 802 of the LR Government (30 June 1998). The types of pharmaceutical activities, for which corresponding licenses are issued, have also been established.
- Medicines and medicinal materials, used for medicines and veterinary purposes must be registered in the State Register of Medicines. Each product, both those produced here and those imported, must be registered. If a product is being imported, the Control Service takes into consideration whether the product is registered in the country from which it is being exported.
- The Ministry of Health issues activity licences to enterprises, which are engaged in the manufacture, import, wholesale and retail sale of medicines, by the procedures prescribed by the Government.
- The LR Law on the Control of Narcotic and Psychotropic Substances (VIII-602 of 08 Jan. 1998) and LR Government Resolution No. 1630 of 28 Dec. 1995, “On the Confirmation of Regulations for Issuing Licenses to Manufacture, Import into the Republic of Lithuania, and Export from the Republic of Lithuania Narcotic and Psychotropic Substances as well as to Engage in their Wholesale and Retail in the Republic of Lithuania”, regulate issues concerning the licensing of the manufacture, import, export, wholesale and retail sale of narcotic and psychotropic materials.
- Any enterprise wishing to obtain a licence to engage in the manufacture of pharmaceutical preparations must:
  - Submit a written application to the Ministry of Health;
  - The enterprise must be registered in Lithuania; its articles of association must indicate the manufacture of medicines, and it must have premises to carry out these activities; and
  - Submit a certificate issued by the State Medicine Control Service.

### **The licensing of the manufacture and importation of alcohol**

- The State Tobacco and Alcohol Control Service issues licenses to import and manufacture alcoholic products, including alcoholic beverages, and to engage in their wholesale trade while the municipalities issue licenses to engage in a retail trade in alcoholic beverages.

- At this time, there are 24 types of licences depending on the nature of the activity performed and on the strength of the alcohol as well as 8 types of licenses designated for its manufacture.
- The procedure to follow in order to obtain a license depends on the type of license being sought.

As a typical example, the procedure to obtain a licence to engage in the **manufacture of beer** is presented below.

- An investor, after registering the enterprise and registering as a taxpayer, submits an application to the State Tobacco and Control Service, in which is shown:

1. the enterprise's identification number, name and address.;
2. the type of alcoholic product expected to be manufactured, its alcoholic beverage group, their codes according to the European General Economic Combined Goods Nomenclature, and the size of the plant; and
3. the following is also necessary to submit:

- certified, true copies of the enterprise's registration certificate, memorandum of association, and articles of association, confirmed by a notary;
- confirmation by the State Food and Veterinary Inspectorate, the regional (county) public health centre and National Nutrition Centre under the Ministry of Health that the quality of the alcoholic products, manufactured in accordance with technological instructions (regulations) satisfies the requirements of the manufacturing standardisation documents confirmed by the prescribed procedures;
- a certificate of certification performed by an alcoholic product quality testing laboratory according to the established procedures;
- a certificate by the regional (county) public health centre that the technical conditions (equipment) and premises as well as the equipment and premises of the laboratory for analysing the quality of the alcoholic products satisfy the requirements of the legal acts on hygiene;
- a certificate issued by a control service that the qualifications of the plant personnel satisfy the qualification requirements confirmed for manufacturers of alcoholic products;
- a certificate from the state tax inspectorate of the municipality, in the territory of which the enterprise is registered, that the income has been declared and the taxes paid;
- the consent of the government of the municipality, in which the enterprise is located, (that they do not object to the manufacture of alcoholic products).
- those enterprises, producing more than 100,000 decilitres of beer, must have their own laboratory for analysing the quality of the alcoholic beverages.
- those enterprises, producing more than 100,000 decilitres of beer but not having the capability of equipping their own laboratory, are to contract for the use of the services of a laboratory analysing the quality of food products of other departments.

- According to the Alcohol Control Law, enterprises are allowed to import alcohol if:

1. they have a permit issued by the procedures prescribed by the law and Government resolutions;
2. manufacturing enterprises have a certificate issued by foreign economic entities and certifying the quality of the alcoholic products;

3. they have special labelling for alcoholic beverage containers. Only state and special designation enterprises, as well as AB “Sema” and UAB “Lietuviškas midus” have the right to manufacture undenatured ethyl alcohol, denatured ethyl alcohol and alcoholic beverages, the ethyl alcohol concentration of which exceeds 22 percent.

**The licensing of the import, export, wholesale and retail sale of oil products**

- the Ministry of Economy issues licenses to engage in the import, export, retail and wholesale sale of oil products.
- The licensing regulations, confirmed by Resolution No. 1221 of 14 September 1995 by the LR Government, regulate the licensing procedure.
- Licenses are issued for all types of enterprises registered in Lithuania.
- An official fee of identical size is prescribed for the issuance of licenses to both local and foreign investors.
- The fee (for 1 year) consists of:

Type of activity being licensed	License fee
For the issuance of a license to import oil products in general	120,000 Litas
For the issuance of a license to import all types of oil and mazut	5,000 Litas
For the issuance of a license to engage in the wholesale sale of oil products in general	120,000 Litas
For the issuance of a license to engage in the wholesale sale of all types of oil and mazut	5,000 Litas
For the issuance of a license to export oil products	5,000 Litas
For the issuance of a license to engage in the retail sale of oil products (for each type of petrol, diesel fuel, and liquefied gas)	from 1-3 thousand Litas depending on where the petrol station is located

- An enterprise, wishing to obtain a license to engage in the import, export, wholesale and retail sale of oil products, must submit a request to the Ministry of Economy together with other documents indicated in the licensing regulations.

***C. A government institution investigates the documents submitted and issues a license***

In each individual case, the procedures for issuing a license are different. This section will discuss the following cases for issuing a license:

- The licensing of banks;
- The licensing of insurance enterprises;
- The licensing of pharmaceutical activities;
- The licensing of the manufacture and importation of alcohol; and
- The licensing of the import, export, wholesale and retail sale of oil products

### **The licensing of banks**

- The Bank of Lithuania must report its decision concerning the issuance of a license to a bank no later than within 6 months from the handing in of the application, but this term can be longer because the Bank of Lithuania, within 30 days from the submission of a request to issue a license, has the right to demand the submission of other documents.

### **The licensing of insurance enterprises**

- Licenses to engage in insurance activities are issued for an unlimited period.
- The Insurance Supervisory Service Board makes a decision concerning the issuance of a license within 4 months from the submission of the request.
- In those cases where the Supervisory Service Board by the prescribed procedures requires additional documents, the 4-month term is calculated from the day when the necessary documents and information are submitted.

### **The licensing of pharmaceutical activities**

- The service prescribes:
  - suitability of the premises of an enterprise to manufacture medicines;
  - whether the plant is following the Instructions for Good Manufacturing Practice;
  - whether the enterprise's specialists have suitable qualifications; and
  - whether an enterprise's manager has a license to engage in pharmaceutical activities.
- A license is issued for 30 days if all the documents meet the indicated requirements.
- For wholesale trade, a separate license is necessary.

### **The licensing of the manufacture and importation of alcohol**

- The Control Service must give a response within 30 days of the day the application was handed in.
- A license for manufacturing is issued for 3 years (other licenses, including those for wholesale and retail trade, are issued for 1 year).
- The State Tobacco and Alcohol Control Service issues licenses for the manufacture of alcohol products, after co-ordinating the issue with the Ministries of Health and Agriculture.

### **Licensing the import, export, wholesale and retail sale of oil products**

- A license for an enterprise must be issued within 30 days from the submission of the documents necessary to issue the license.
- The issuance of a license can be refused only in a case where not all the documents required to obtain a license were submitted or where the documents are incorrectly filled out or do not correspond to reality.

## ***D. Performing the activity***

## ***E. Conclusion of the procedure***

## ***5 The procedure for obtaining a permit to begin an activity***

### ***A. The beginning of the process***

### ***C. Submitting a notice to the Competition Council about a concentration being planned***

- A notice of a concentration must be submitted to the Competition Council no later than within 7 days from an offer to conclude a contract or to obtain shares, from the provision of assets, from a commission to conclude a contract, from the conclusion of a contract, or from the acquisition of the property rights or right to dispose of certain assets.
- The calculation of the term is begun from the first day of the performance of the indicated activity.
- The Competition Council prescribes the standard form for a notice about a concentration.

### ***D. The Competition Council investigates a notice about a concentration***

The Competition Council investigates a submitted notice about a concentration according to the prescribed requirements no later than within 4 months. This term begins the subsequent day after the submission of any notice satisfying the prescribed requirements.

### ***E. Will the decision made be suitably reported to you?***

The Competition Council, after investigating a notice of a concentration, passes one of the following resolutions:

- to allow the execution of the concentration in accordance with the submitted notice;
- to allow the execution of the concentration in accordance with those conditions and obligations for the execution of the concentration, which are necessary to avoid the creation or strengthening of a dominating position, as prescribed by the Council, for the participating economic entities or controlling persons; or
- to refuse to give permission to execute a concentration together with certain obligations.

If the Competition Council does not pass any of the aforementioned resolutions, the economic entities or controlling persons have the right to execute a concentration in accordance with the conditions indicated in the notice about the concentration.

If within 4 months of the receipt of a notice satisfying the prescribed requirements, the Competition Council does not notify any persons, after they have submitted a notice about a concentration, about passage of a resolution, these economic entities or controlling persons have the right to execute the concentration in accordance with the conditions indicated in the notice of a concentration.

### ***G. Was permission to execute a concentration decreed?***

The Competition Council, after investigating a notice of a concentration, may allow the execution of the concentration in accordance with the submitted notice or in accordance with those conditions and obligations for the execution of the concentration, which are necessary to avoid the creation or strengthening of a

dominating position, as prescribed by the Council for the participating economic entities or controlling persons

Economic entities, who do not agree with the Competition Council's decision, have the right, within 20 days from the day of the delivery of the decree or the publishing of the resolution part of it in "Valstybės žinios" (*Official Gazette*), to appeal against it to the Supreme Administrative Court.

### ***H. Carrying out a concentration***

After receiving a positive decision of the Competition Council concerning the execution of a concentration, you may carry it out in accordance with the submitted notice or in accordance with those conditions and obligations for the execution of the concentration, which are necessary to avoid the creation or strengthening of a dominating position, as prescribed by the Council for the participating economic entities or controlling persons

## ***The procedure for agreements limiting competition***

### ***A. The beginning of the process***

#### ***J. Are you petitioning the Competition Council concerning the confirmation of the legality of a contract?***

- Economic entities can but need not petition the Competition Council about the confirmation of the legality of a contract by procedures for a general exception included among prohibited agreements. In such a case, the Competition Council shall confirm (or not) that the contract corresponds to a general exception.

#### ***K. Was the conclusion of the Competition Council positive?***

It is mandatory to inform the Competition Council about any contract, not included among prohibited agreements by the procedures for a general exception and signed no later than within 1 month from its coming into force, informing about the essential conditions of the contract using the standard information form prescribed by the Competition Council.

#### ***M. Petitioning the Competition Council concerning the granting of an individual exception***

- Any economic entity, wishing to obtain an individual exception, by the conclusion of the contract or its coming into force must petition the Competition Council with a request together with the contract and documents, proving that the conditions specified by the law will satisfy the granting of an individual exception.

#### ***N. The Competition Council will investigate the documents and make a decision***

#### ***O. Was the decision to grant an individual exception?***

#### ***P. Signing the contract***

#### ***Q. Notifying the Competition Council about the signing a contract***

#### ***R. Executing the contract***

#### ***S. The conclusion of the process***

## **6. THE PROCEDURE FOR LEASING LAND**

### **A. An investor decision to lease a parcel of land in Lithuania**

- Two leasing procedures are distinguished in Lithuanian legal acts: the lease of clear parcels of state land and the lease of parcels of state land under use.
- A lease can be long-term from 3 to 99 years or short-term up to 3 years.

- The procedures are different depending on whether the parcel of land is privately owned or the legal property of the state.

**B. Finding the parcel of land you desire to lease**

**C. Does the parcel of land belong to the state?**

**D. Leasing a private parcel of land**

- The lease of a parcel of private land is made official by a civil transaction, i.e. a signed lease for the land confirmed by a notary.

**E. Do you wish to lease a parcel of land under use?**

- The procedure to lease a parcel of land under use is conditionally easier because in these cases no auction is necessary.

**F. The procedure for leasing a clear parcel of state land**

- LR Government Resolution No. 692 (2 June 1999) regulates the procedure for leasing clear parcels of state land designated (under use) for non-agricultural purposes. This procedure is similar to the procedure to obtain clear state land.

- Read about this further in "[The Procedure for Leasing a Clear Parcel of State Land](#)".

**G. The procedure for leasing a parcel of state land under use**

- Read about this in "[The Procedure for Leasing a Parcel of State Land under Use](#)". This procedure is regulated by LR Government Resolution, "On the Sale or Lease of Parcels of State Land under Use Designated (under Use) for Non-agricultural Purposes" (No. 260 of 9 March 1999).

**I. The parcel of land is leased**

## **7. THE PROCEDURE FOR LEASING A CLEAR PARCEL OF STATE LAND**

### ***F1. BEGINNING OF THE PROCEDURE FOR LEASING A CLEAR PARCEL OF STATE LAND***

- Resolution No. 692 of 2 June 1999 of the Government of the Republic of Lithuania Concerning the Sale and Lease of New Non-agricultural Plots of Public Land regulates the procedure concerning the lease of newly created plots of land.
- Information on the plots of public land put up for sale or lease is published in the Informational Bulletin on Privatisation. In addition, information is provided by land-use planning divisions operating on the city or district level.
- New plots of land are leased (with the exception of the plots of land transferred to the ownership of municipalities by the right of trust), and land lease contracts are signed by the governor of the relevant county or head of administration authorised by the county governor, unless otherwise prescribed by legislation. New plots of land in trust by the municipality are leased, and the procedure for the signing of the land lease contracts is established by the municipal council.

### ***F.2. WITH THE INTENTION TO TAKE LAND ON LEASE, APPLY TO THE CITY OR DISTRICT LAND-USE PLANNING DIVISION***

- Apply to the city land-use planning division if you want to lease a plot of land in the city area.
- Apply to the district land-use planning division if you want to lease a plot of land in the district area.

### **F3. The Land Use Department investigates the possibility of leasing a parcel**

### **F4. Is it possible to lease the parcel of land you want?**

### **F5. Searching for a clear parcel**

### **F8. Is a detailed plan or layout of the parcel of land already prepared?**

### ***F.9. THE MUNICIPALITY PREPARES THE DETAILED PLAN OF THE PARCEL OF LAND AS WELL AS OTHER CONDITIONS AND DOCUMENTS FOR LEASING LAND***

- In the event the lessor of a new plot of land is the county governor, the mayor (board) of the municipality shall:
  - prepare a detailed plan of the plot of land (alternatively, a scheme where the plot of land is given on lease for a maximum three-year period);
  - in accordance with the detailed plan of the plot of land, prepare a plan of land plot boundaries with geodesic measuring data contained therein;
  - specify the restrictions (parameters) with regard to urban development and architecture, propose special conditions for the use of land and forest in the plot of land subject to lease, and land easements;
  - assess and approve by the relevant decision the initial amount of annual land rent, including value added to the plot of land by existing civil engineering structures and the expenses incurred in the drawing up of the detailed plan of the plot of land, plan of land plot boundaries and the organisation of an auction;

- evaluate the state of the existing infrastructure, assess and approve by the relevant decision the financial needs for the development of the area and supplementary contributions to the upkeep of the building area and to the development of the urban engineering infrastructure;
  - draw up a draft agreement with the successful bidder, which stipulates the time limits for the construction and renovation of infrastructure objects and the manner of payment.
- The mayor of the municipality (municipal board) shall communicate the aforementioned documents to the county governor.

***F.10. THE COUNTY GOVERNOR CONFIRMS THE PRESCRIBED CONDITIONS AND DELIVERS THEM TO REGIONAL OR CITY MAYOR (BOARD)***

- The county governor shall make a decision concerning the lease of the land plot in question and approve the initial land rent, special terms and conditions of the use of land and forest and land easements (if proposed) within 10 working days; a copy of the order issued by the county governor and other documents attached thereto shall be communicated to the mayor of the municipality within 5 working days after the date of issuing the order.

**F11. Is the parcel of land registered in the Real Estate Register?**

- If the parcel is not registered, it needs to be registered; if the parcel of land is already registered in the Real Estate Register, it is necessary to verify this Register entry.

***F.12. THE COUNTY GOVERNOR REGISTERS THE PLOT OF LAND WITH THE STATE LAND CADASTRE AND REGISTER.***

- The county governor shall register the plot of land with the State Land Cadastre and Register.

***F.13. THE MAYOR (BOARD) OR THE COUNTY GOVERNOR MAKES A DECISION ON HOLDING AN AUCTION AND THE COMPOSITION OF THE AUCTION COMMISSION***

- In case of a plot of land in an urban area, a decision on the land lease by auction and the composition of the auction commission shall be taken by the mayor (board) of the municipality. In case of a land plot in a rural area, a decision on the land lease by auction and the composition of the auction commission shall be taken by the county governor.

***F.14. THE AUCTION COMMISSION ANNOUNCES THE AUCTION***

- The auction commission appointed by the mayor (board) of the municipality or the county governor shall hold a land lease auction pursuant to the auction regulations approved by Resolution No. 692 of 2 June 1999 of the Government of the Republic of Lithuania Concerning the Sale and Lease of New Non-agricultural Plots of Public Land.

- The auction commission must ensure that information on the newly created plots of land subject to auction lease be published not earlier than 15 calendar days and not later than 5 calendar days before registration of the auction documents in the Informational Bulletin on Privatisation published by the SE State Property Fund.

**F15. Transferring 5% of the starting price of the parcel of land you wish to lease into the account indicated by the auction commission**

- Before coming to register as an auction participant, a citizen of the Republic of Lithuania, a national or foreign subject prescribed by Constitutional Law, or persons (representatives) authorised by them must transfer into the bank account indicated by the auction commission an initial payment of 5 percent of the starting price of the parcel of land you wish to lease.
- After the auction has ended, the auction commission, within 7 business days of the end of the auction, is to refund to those auction participants, who were unsuccessful at the auction for the sale of the parcel of land, the initial payment (without deductions) into their accounts, indicated in the certificate about the auction participants.

***F.16. SUBMITTING DOCUMENTS TO THE AUCTION COMMISSION TO REGISTER FOR THE AUCTION***

- Those who are willing to register for an auction must file with the auction commission the following documents enclosed in a sealed envelope (with appropriate requisites):
  1. A permit to acquire ownership of a parcel of land not designated for agriculture (if those national or foreign entities prescribed by the Constitutional Law wish to acquire the ownership of a clear parcel of land).
  2. An application to participate in the auction for the lease of a parcel of land (according to the prescribed form).
  3. A copy of a personal identification document or the registration document for a legal person.
  4. A power of attorney confirmed by the prescribed procedures if another person is representing the auction participant. Where the auction participant is a natural person, a notary must confirm the power of attorney.
  5. Documents issued by a banking establishment (department, branch) about the payment of the initial payment (if it was paid by a transfer).
  6. The account number of the banking establishment (department, branch), into which the auction commission must transfer the refunded initial payment (if unsuccessful at the auction), as well as the bank name, identification number, and address.

***F. 19. PARTICIPATING IN THE AUCTION***

- This is a public auction which will be held even with one participant registered.

- The auction shall take place after a lapse of no less than 20 calendar days and no more than 35 calendar days after its publication in the Informational Bulletin on Privatisation.
- At the end of the auction, the highest bidder is considered to be the winner of the auction. The winner signs the auction record to confirm that the land rent specified in the auction record is in conformity with the amount of rent offered by the winner. The record shall be considered to be the document enabling to sign a land lease contract.
- In the event of only one participant in the auction, a land plot may be leased by joint agreement concluded in writing by the municipal mayor (board) and the county governor for the initial amount of annual rent (which shall not, however, be smaller than the amount of rent offered in the auction) offered by the participant in his/ her application.

***F.20. THE MUNICIPALITY OR, ALTERNATIVELY, THE COUNTY GOVERNOR APPROVES THE AUCTION RESULTS***

- In case of a land plot in an urban area, the results of the auction, on commission by the auction commission, shall be approved by the mayor (board) of the municipality; in case of a land plot in a rural area, the results of the auction shall be approved by the county governor.

***F.21. Did you win the auction?***

- At the end of the auction, the highest bidder is considered to be the winner of the auction.

**F.22. The required documents shall be prepared, and the place and time of signing the land lease contract shall be notified**

- Upon the approval of the auction results, the municipality concerned draws up and communicates to the county governor, within 15 working days, a contract for the lease of non-agricultural land.
- The county governor shall, no later than within 5 working days, inform in writing the lessee of the place and time of signing the land lease contract.

***F.23. Paying the balance of the sum (if such has been established) for the lease of a parcel of land***

- The successful bidder has to remit the sums indicated in the draft of the contract to the specified account.

***F.24. Signing a contract***

- On payment the amounts due, the lessee of the plot of land shall appear, within the given time, to sign the land lease contract. The county governor shall represent the State and sign the land lease contract. The contract has to be attested by a notary.

F.26. Were there any violations in the organisation of the auction or in the fulfilment of other related laws?

- Within 10 working days upon the evaluation of the auction results, the mayor (board) of the municipality shall decide on the instance of violations therein as regards the land plot in an urban area, and the county governor shall decide on the instance of violations therein as regards the land plot in a rural area.

F.27. The county governor returns the draft of the contract to the municipality

- If the county governor establishes that the holding of the auction or the conclusion of the land lease contract have been effected in violation of laws and other legal acts, the county governor shall refer the draft back to the mayor (board) of the municipality by indicating the grounds for his/ her refusal to sign the contract.

F.28. Are the violations essential, and has the invalidation of the results of the auction been initiated?

F.31. Submitting the contract and other necessary documents for registration in the Real Property Register

- Land lease contracts have to be registered with the State Land Cadastre and Register within 3 months since the date of signature.
- The procedure for registering land leased from the state is similar to the procedure for registering purchased land. It usually lasts from 2 to 10 business days.
- At an enterprise's request, the registration procedure can be expedited after the payment of twice the registration fee.
- The enterprise petitions the local Resident Service Bureau and obtains a request form to register the lease.
- At the same time, the bureau informs the enterprise about the registration fee, based on the average value of the parcel of land and gives the enterprise an account number for the State Land Cadastre and Register Enterprise. The registration fee must be paid into this account by the registration.
- The enterprise pays the registration fee, submitting to the bureau proof of its payment and a filled out registration request form.
- The lease registration fee is 0.5 percent of the sum, which the investor paid at the auction.
- The registration fee is established in accordance with the methodology confirmed by the Government.
- The maximum registration fee for persons is 1000 Litas, for enterprises 10,000 Litas
- The average registration fee is 100 Litas for persons and 2000 Litas for enterprises.

### **F32. The Resident Service Bureau investigates the request and documents**

- The State Land Cadastre and Register Enterprise investigates an enterprise's request and all the enterprise's documents, which were submitted to the land use department of the county governor's administration:
  - the enterprise's registration documents;
  - the lease;
  - the detailed plan of the parcel of land confirmed by the county governor; and
  - the list of obligations, restrictions, and conditions connected with the land or its use.

### **F33. Was the request satisfied?**

- The process of investigating and confirming the claim usually lasts from one to two days.
- The law prescribes that the State Land Cadastre and Register Enterprise must investigate any request and make a decision within 3 days from the day the request was received and register the property within 10 days.

### **F34. The Resident Service Bureau will notify you about misunderstandings that have arisen**

- If in investigating a request, a misunderstanding concerning the registration arises for the State Land Cadastre and Register Enterprise, it must inform the enterprise in writing (within 10 days from the day the request was received) and explain the motive for postponing the investigation of the request.

### **F35. The Resident Service Bureau registers leased parcels**

- After confirmation, the State Land Cadastre and Register Enterprise registers the lease and informs the enterprise that the lease is registered.

### **F36. The Resident Service Bureau forwards the documents to you**

- After registration, the State Land Cadastre and Register Enterprise issues a lease registration certificate to the enterprise.

### **F37. The parcel of land is already leased!**

## **1. THE PROCEDURE TO LEASE A PARCEL OF STATE LAND UNDER USE**

### **G1. Beginning the procedure to lease a parcel of state land under use**

### **G2. Are you leasing the parcel of land in the country?**

- A plot of land in use may be leased by the relevant municipal council or the county governor. The municipal council shall lease those plots of public land, which have been transferred to the ownership of the municipality by the right of trust. The county governor shall be the lessor of other public land.
- The term of land lease shall be established by agreement between the lessor and lessee; it may not, however, exceed a 99-year period.

### **G.3. Apply to the municipality in which the plot in question is located with the required documents**

- When the plots of land in use are leased by the municipal council, i.e. when the municipality owns a plot of land by the right of trust, the persons willing or having the right to take the land of the municipality on lease without an auction shall file the documents with the mayor (board) of the municipality in which the plot in question is located.

### **G.4. The mayor makes a decision to give a plot of land on lease and draws up a land lease contract**

- Upon receipt of the documents, the mayor (board) of the municipality shall make a decision to give a plot of land on lease and shall draw up a land lease contract.

### **G.5. Sign the lease contract**

- A contract for the lease of public land shall be signed in accordance with the procedure for signing contracts, as approved by the municipal council. A plan (scheme) of the leased plot of land shall be attached to the contract.

### **G.6. The mayor submits one copy of the contract to the land-use planning division**

- On signing the contract for the lease of public land with the lessee, the land-use planning division shall be informed within ten days by filing with it a copy of the lease and the plan (scheme) of the leased plot of land.

### **G.6.1. File the land lease contract and other necessary documents with the State Land Cadastre and Register**

- All contracts for land lease shall be registered with the State Land Cadastre and Register.

### **G.7. Apply to the county land-use planning division with the necessary documents**

- Where the county governor is the lessor of the plots of land in use, the persons willing and having the right to lease the land used by them without an auction shall submit to the district or city land-use planning the following documents:
  - a request to lease the parcel of land, indicating the desired term of the lease;
  - documents confirming the provision of or the right to use the land;
  - a copy of the plan for the parcel of land under use from the technical accounting file;
  - legal registration documents for the buildings, structures, and installations located on the parcel; and
  - the enterprise's registration certificate (when an enterprise requests to lease the parcel of land).

### **G.8. The land-use planning division files copies of the documents and a request to prepare the terms and conditions of lease to the mayor of the municipality**

- Upon receipt of the necessary documents, the land-use planning division operating at the county level shall submit the following documents with the covering letter attached thereto and the request to the mayor (board) of the municipality:
  - to prepare a plan of the parcel of land requested to be leased;
  - to propose a term for the lease of the land;
  - to establish the manner of activities allowable on the parcel of land to be leased;
  - to establish the architectural – town planning restrictions and conditions for the parcel of land requested to be leased in accordance with the detailed plan;
  - to establish the special land and forest use conditions for the parcel of land requested to be leased;
  - to establish other restrictions and conditions for the use of the parcel of land requested to be leased in accordance with the detailed plan; and
  - to present a proposal concerning the establishment of the servitude of the land.

### **G.9. The mayor presents information concerning land lease to the land-use planning division**

- Within one month since receipt of a request from the county land-use planning division, the mayor (board) of the municipality shall furnish to the said division

information (data) concerning the terms of lease of the plot of land requested for that purpose.

#### **G.10. A land-use planning division draws up a lease contract**

- Upon receipt of information (data) from the mayor (board) of the municipality, a land-use planning division of the county concerned shall assess, within 30 days, the value of the plot of land put up for lease and calculate the land rent accordingly; if appropriate, it shall also organise geodesic measurement of land plot boundaries and draw up the land lease contract.
- A contract for the lease of public land shall stipulate:
  - the lessor of the land;
  - the lessee of the land;
  - the object of the land lease with the data from the State Real Estate Cadastre and Real Estate Register;
  - the term of the land lease;
  - the primary designation for the use of the land and the manner of activities allowable on the parcel of land;
  - the conditions for the use of the structures and installations legally belonging to the owner of the land or to other persons and which are located on the land to be leased as well as the construction of new buildings and structures, the laying of roads, the installation of a water supply and other conditions;
  - the conditions for the use of the building and/or installations after the expiry of the lease of the land;
  - the conditions for the use of subterranean and surface water and useful extracts (except amber, petroleum, gas, and quartz sand) which are located on the land to be leased and allowable by law;
  - special land and forest use conditions;
  - land use restrictions;
  - the servitude of the land;
  - land rent
  - other obligations undertaken by the lessor and lessee in relation to the utilisation and return of land given on lease upon the expiry of the land lease contract, the terms and conditions of termination of the land lease contract before the date of expiry and liability for the violations of the land lease contract.

#### **G.12. A land – use planning division shall inform you of the place and date of signing the contract**

- Within 5 days since authorisation granted by the county governor for lease of a plot of land, the county land-use planning division shall inform the lessee of the place and time of signing the contract for the lease of public land.

#### **G13. Signing a contract**

- The county governor, or a representative of the county governor's administration authorised by him/her, together with the lessee sign the contract.

#### **G14 The land use department forwards the documents from the contract's signing to the Resident Service Bureau and afterwards inform you about it**

- The country land use department informs the enterprise that the investigation of the lease documents has been concluded and that it sent them to the Resident Service Bureau of the State Land Cadastre and Register Enterprise.
- The county land use department will also inform the enterprise that it can petition the Resident Service bureau of the Land and Other Real Estate Cadastre and Register to register the lease.

#### **G.15. File the contract and other required documents for registration with the State Land Cadastre and Register**

- For the purpose of registration of the right to leasehold land, the contract for the lease of public land has to be submitted to the keeper of the Real Property Register within 3 months.
- The procedure to register land leased from the state is similar to the procedure to register purchased land. It usually takes from 2 to 10 business days.
- At an enterprise's request, the registration procedure can be expedited after the payment of twice the registration fee.
- The enterprise petitions the local Resident Service Bureau and obtains a request form to register the lease.
- At the same time, the bureau informs the enterprise about the registration fee, based on the average value of the parcel of land and gives the enterprise an account number for the State Land Cadastre and Register Enterprise. The registration fee must be paid into this account before its registration.
- The enterprise pays the registration fee, submitting proof of its payment and a filled out registration request form to the bureau.
- The lease registration fee is 0.5 percent of the sum, which the investor paid at the auction.
- The registration fee is established in accordance with the methodology confirmed by the Government.
- The maximum registration fee for persons is 1000 Litas, for enterprises 10,000 Litas
- The average registration fee is 100 Litas for persons and 2000 Litas for enterprises.

#### **G16. The Resident Service Bureau investigates the request and documents**

- The State Land Cadastre and Register Enterprise investigates an enterprise's request and all the enterprise's documents, which were submitted to the county governor administration's land use department:
  - the enterprise's registration documents;
  - the lease;
  - the detailed plan of the parcel of land confirmed by the county governor; and
  - the list of obligations, restrictions, and conditions connected with the land or its use.

#### **G17. Was the request satisfied?**

- The process of investigating and confirming the claim usually lasts from one to two days.
- The law prescribes that the State Land Cadastre and Register Enterprise must investigate any request and make a decision within 3 days from the day the request was received and register the property within 10 days.

#### **G18. The Resident Service Bureau will notify you about any obscurities that arise**

- If, in investigating a request, any obscurity concerning the registration arises for the State Land Cadastre and Register Enterprise, it must inform the enterprise in writing (within 10 days from the day the request was received) and explain the motive for deferring the investigation of the request.

#### **G19. The Resident Service Bureau registers the parcel leased**

- After confirmation, the State Land Cadastre and Register Enterprise registers the lease and informs the enterprise that the lease has been registered.

#### **G20. The Resident Service Bureau forwards the documents to you**

- After registration, the State Land Cadastre and Register Enterprise issues a lease registration certificate to the enterprise.

#### **G21. The parcel of land is already leased!**

## **9. THE PROCEDURE FOR PURCHASING LAND**

### **A. An investor decision to purchase a parcel of land in Lithuania**

- The primary legal acts regulating issues concerning the purchase of land are the Constitutional Law on the Subjects, Procedure, Terms and Conditions and Restrictions of the Acquisition into Ownership of Land Plots Provided for in Article 47, Paragraph 2 of the Constitution of the Republic of Lithuania (No. I-1392 of 20 June 1996), LR Law on Land (No. I-446 of 26 April 1994), LR Law on Land Reform, and other laws and legal acts. From among the legal acts, should be distinguished Government Resolution No. 1423 of 10 December 1998 on the implementation of the constitutional law, Government Resolution No. 692 of 2 April 1999 (supplementing Government Resolution No. 1166 of 20 Oct. 1999), prescribing the procedures for the sale of clear parcels of state land not designated (under use) for agriculture, and Government Resolution No. 260 of 9 March 1999 defining the procedures for the sale and lease of parcels of state land under use.

#### **A1. Can you purchase a parcel of land in Lithuania?**

#### **A2. Do you need to obtain a land acquisition permit in order to purchase land?**

#### **A3. The procedure for obtaining a permit to purchase land.**

### **B. Finding a parcel of land you want to buy**

- Usually an investor finds the parcel of land him/herself or a specialised subdivision of the municipality helps him/her to find one or offers him/her one (in the case of the purchase of clear state land).

### **C. Does the parcel of land belong to the state?**

### **D. The procedure for purchasing private land**

### **E. Do you wish to purchase a parcel of land under use?**

- The procedure for purchasing parcels of state land, which are clear or under use, differ in that:
  - clear parcels of land are purchased at auction; and
  - parcels of state land under use are purchased directly from the county.

### **F. The procedure for purchasing a clear parcel of state land**

### **G. The procedure for purchasing a parcel of state land under use**

### **H. The procedure for registering the parcel of state land purchased in the Real Property Register**

### **I. The parcel of land is yours!**

**L. The procedure for obtaining a permit to purchase land**

**L1. Was a permit issued to purchase land?**

## **10. THE PROCEDURE FOR PURCHASING PRIVATE LAND**

### **D1. Beginning the procedure for acquiring private land**

### **D2. Drawing up and signing a land acquisition contract**

- The procedure for acquiring private land is fairly ordinary: it is made official by a civil transaction, i.e. by signing a contract for the sale and purchase of the land.
- It is mandatory for the national entities and foreign entities established by the Constitutional Law to have a permit issued by the Government or an institution authorised by it following the prescribed procedures.
- When acquiring a private parcel of land, the documents proving the ownership of the land need to be presented to a notary, i.e. the owner of the land must obtain a certificate from the State Land Cadastre and Register Enterprise confirming the owner's property rights. In order to obtain this confirmation, the owner must submit the documents confirming his legal ownership to the enterprise's branch or central office (these are issued when registering the property). After obtaining the necessary documents, the State Land Cadastre and Register Enterprise verifies them (usually in one day but the procedure can take two weeks). When the request is investigated, the State Land Cadastre and Register Enterprise verifies whether the applicant (enterprise) is in debt. If there are no obscurities in connection with the enterprise's property, the State Land Cadastre and Register Enterprise issues the seller a certificate allowing the transfer of the ownership of the property. The issuance of such a certificate costs 25 Litas.
- It is necessary to submit proof that the parcel of land being sold is not being used as collateral, subject to seizure, or that any other restrictions specified by law apply to it (a certificate is issued by the State Land Cadastre and Register Enterprise).
- It is necessary to submit a detailed plan of the parcel of land and a calculated preliminary value of the parcel according to state indices.

### **D3. A notary verifies the documents and confirms the contract**

- After it is established that all the documents are in order and have been submitted, a notary confirms the contract for the sale and purchase of the land (transfer of the property rights).
- Contracts for the transfer of land must indicate:
  - the parties to the contract (names, surnames, the names of legal persons, addresses, and personal identification numbers);
  - the subject of the land transaction and the primary land cadastre data describing the parcel of land being transferred;
  - expressed will of the landowner to transfer the parcel of land specified in the contract;
  - the price (value) of the parcel being transferred;

- if selling the land by instalment payments, the terms for the payments; and
  - the servitude of land established for the parcel of land being transferred, the conditions for the use of the land, and other restrictions. (see LR Law on Land (No. I-446 of 26 April 1994)).
- For some entities to acquire a parcel a land, they may need to obtain a permit from the Government or an institution authorised by it in accordance with the Constitutional Law on the Subjects, Procedure, Terms and Conditions and Restrictions of the Acquisition into Ownership of Land Plots Provided for in Article 47, Paragraph 2 of the Constitution of the Republic of Lithuania (No. I-1392 of 20 June 1996) and the LR Law on Land (No. I-446 of 26 April 1994).

#### **D4. Signing the contract**

#### **D5. Delivering the contract and other documents to the State Land Cadastre and Register Enterprise**

- After signing and confirming the contract, the purchaser of the parcel of land is to submit the contract confirmed by a notary and the other necessary documents (a filled out request form, the contract transferring the property rights, and any documents connected with it) within 3 months for registration of the legal ownership with the State Land Cadastre and Register Enterprise.
- An enterprise when acquiring the land from a private owner does not need to register the parcel because it was already registered by the previous landowner. However, in this case, the enterprise needs to register its legal ownership of the real estate.
- A fee confirmed by the Government is payable for the confirmation of legal ownership, by the State Land Cadastre and Register Enterprise.
- When acquiring land from a private owner, the size of the compensation for registration depends on the price confirmed by the state or the market price of the parcel of land, i.e. the registration fee is either 0.3 percent of the market price of the land or 0.5 percent of the land value established by the state.
- The legal ownership of the land passes with the registration of the contract by the State Land Cadastre and Register Enterprise.

#### **D6. The Real Estate Register registers the transfer of property rights to the parcel of land**

- The State Land Cadastre and Register Enterprise investigates the request, the contract transferring the property rights, and the other documents submitted and then confirms and registers the transfer of the property rights (usually this takes one business day).

#### **D7. The Real Estate Register will send you a certificate**

- After registering the legal ownership of the acquired land in the central database, the Real Estate Register will send you a certificate.

**D8. Your parcel of private land has been purchased!**

## **11. THE PROCEDURE FOR PURCHASING A CLEAR PARCEL OF STATE LAND**

### **F.1. The initial procedure for the purchase of a new plot of public land**

- Procedure for the sale of newly created plots of public land is regulated by Resolution No. 692 of 2 June 1999 of the Government of the Republic of Lithuania Concerning the Sale and Lease of New Non-agricultural Plots of Public Land.
- Procedure for lease of newly created plots of public land is regulated by Resolution No. 692 of 2 June 1999 of the Government of the Republic of Lithuania Concerning the Sale and Lease of New Non-agricultural Plots of Public Land.
- Resolution No. 925 of 2 August 2000 of the Government of the Republic of Lithuania On the Assignment without Compensation to the Ownership of Municipalities of Non-agricultural Plots of Land Necessary for the Performance of the Functions thereof, and the Assignment of the Plots of Land in Ownership of Municipalities provides for the procedure for the sale of land possessed by municipalities by the right of ownership.

### **F.2. Apply to the city or district land-use planning division for authorisation to acquire the selected plot of land.**

### **F.3. The land-use planning division conducts the investigation as regards the title to the plot of land and carries out the analysis of other requirements**

- The land-use planning division shall screen the investor's application taking into account the general plan of the municipality and check whether the projected utilisation of the plot of land is not in violation of the said plan.
- Upon receipt of the confirmation that the plot of land is ownership of the State, and that the State gives its consent to the sale thereof, the land-use planning division shall examine the existence of any requirements with regard to the return of the plot of land in question. This procedure usually takes up a couple of weeks since the data concerning the return of the plots of land may only be available in the relevant county.

### **F4. Is the parcel of land suitable for sale?**

### **F5. Has a detailed plan of the parcel of land been prepared?**

- If the parcel of land is suitable for sale, the municipality verifies whether a detailed plan of the parcel of land has been prepared.

- If a plan of the parcel of land has been prepared, the municipality within a month is to familiarise potential buyers with the data about the infrastructure, utilities services, and construction restrictions (height of any building, size, etc.) of the parcel of land.
- If a detailed plan of the parcel of land has not been prepared, its preparation must be begun.

#### **F6. Preparation of a detailed plan of the parcel of land**

- Any natural or legal persons, having the right to prepare area planning documents and who have concluded a contract with the planning organisation, may prepare the detailed plan.
- The organisers of the detailed plan are the landowner, the land user, the state land manager, and the municipal board (mayor).
- The process for preparing a detailed plan of the parcel of land can take up to 6 months (the preparer of the detailed plan must investigate and assess the parcel).

#### **F7. The prepared plan is submitted to the municipal council for confirmation**

- After the plan has been prepared, the preparer of the detailed plan submits it to the municipality council for confirmation. The municipal council will not confirm a detailed plan if it conflicts with the general plan or has violated the planning process and procedures.
- The confirmation procedure takes 20 working days from the day the request was submitted. Detailed plans are valid once they have been confirmed by the prescribed procedures.

#### **F8. Was the detailed plan prepared correctly?**

- If the prepared plan conflicts with the general plan or has violated the planning process or procedures, the violations are to shown on the confirmation report for the detailed plan.

#### **F9. The municipality confirms the detailed plan**

- Detailed plans are valid once they have been confirmed by the prescribed procedures.

##### **F.9.1. The mayor (board) submits prepared documentation to the country governor**

- The mayor (board) submits prepared documentation and the decision on the initial selling price of land plot to the country governor.

##### **F.9.2. The county governor makes the decision to sell the land**

- The county governor shall make a decision concerning the sale of the plot of land in question and shall approve the initial selling price, special terms and conditions of the use of land and forest and land easements within 10 working days; the county governor shall communicate the said decision to the mayor (board) of the municipality within 5 working days.

#### **F10 The municipality familiarises the public with the upcoming sale of the parcel of land**

- If a plan of the parcel of land has already been prepared, the municipality within a month is to familiarise potential buyers with the data about the infrastructure, utilities services, and construction restrictions (height of any building, size, etc.) of the parcel of land.

#### **F.11. The mayor (board) or the county governor makes a decision on the composition of the auction commission**

- In case of a plot of land in an urban area, a decision on the sale of land by auction and the composition of the auction commission shall be taken by the mayor (board) of the municipality. In case of a land plot in a rural area, a decision on the sale of land by auction and the composition of the auction commission shall be taken by the county governor.
- The auction commission shall be responsible for announcing, organising and holding the auction sale.

#### **F.12. The auction commission announces an auction**

- The auction commission must ensure that information on the newly created plots of land subject to auction sale or auction lease be published in the Informational Bulletin on Privatisation published by the SE State Property Fund not earlier than 15 calendar days and not later than 5 calendar days before registration of the auction documents.
- The Regulations for Auctions for the Sale or Lease of Clear Parcels of State Land Designated (under Use) for Non-agricultural Purposes confirmed by Government Resolution No. 692 of 02 June 1999 regulate issues concerning the publication, organisation, and execution of an auction.

#### **F13. Transferring 5% of the starting price of the parcel of land you want to acquire into the account indicated by the auction commission**

- Before coming to register as an auction participant, a citizen of the Republic of Lithuania, a national or foreign subject prescribed by Constitutional Law, or persons (representatives) authorised by them must transfer into the bank account

indicated by the auction commission an initial payment of 5 percent of the starting price of the parcel of land, the lease of which is desired.

- After the auction has ended, the auction commission, within 7 business days after the end of the auction, is to refund to those auction participants, who were unsuccessful at the auction for the sale of the parcel of land, the initial payment (without deductions) into their accounts, indicated in the roll of the auction participants.

#### **F14. Submitting documents to the auction commission concerning registration for the auction**

- Those wishing to register for an auction must submit to the auction commission in a sealed envelope (with certain information), the following documents:
  - A permit to acquire ownership of a parcel of land not designated for agriculture (if those national or foreign entities prescribed by the Constitutional Law wish to acquire the ownership of a clear parcel of land).
  - An application to participate in the auction for the lease of a parcel of land (according to the prescribed form).
  - A copy of a personal identification document or the registration document for a legal person.
  - A power of attorney confirmed by the prescribed procedures if another person is representing the auction participant. Where the auction participant is a natural person, a notary must confirm the power of attorney.
  - Documents issued by a banking establishment (department, branch) about the payment of the initial payment (if it was paid by a transfer).
  - The account number of the banking establishment (department, branch), into which the auction commission must transfer the refunded initial payment (if unsuccessful at the auction), as well as the bank name, identification number, and address.
  - If, by a resolution of the mayor (board), the county governor establishes for the auction participants certain qualification criteria, connected with the specific characteristics for leasing the parcel of land (special location, certain utility service or environmental protection requirements, etc.), the documents confirming that the person, who wishes to register as an auction participant, satisfies these requirements and a written obligation to fulfil the requirements of the auction conditions.
  - A written promise that he agrees with the conditions for the sale and purchase of the parcel of land, which were specified in the draft of the agreement concerning the development of infrastructure.

#### **F.15. Has the county granted you a permit to purchase a plot of land?**

- With the intention to purchase a plot of land, the natural and legal persons of both, the Republic of Lithuania and foreign countries must apply to the county governor for authorisation.

#### **F. 16. Participate in an auction**

- This is a public auction which will be held even with one participant registered.
- The auction shall take place after a lapse of no less than 20 calendar days and no more than 35 calendar days after its publication in the Informational Bulletin on Privatisation.
- At the end of the auction, the highest bidder is considered to be the winner of the auction. The winner signs the auction record to confirm that the final price specified in the auction record is in conformity with the price offered by the winner. The record shall be considered to be the document enabling to sign the contract of sale. The winner of the auction shall also sign an agreement concerning infrastructure development.
- In the event of only one participant in the auction, a land plot may be sold by joint agreement concluded in writing by the municipal mayor (board) and the county governor for the initial price (which shall not, however, be smaller than the auction price) offered by the participant in his/ her application.

**F.17. The municipality or, alternatively, the county governor approves the auction results**

- On commission by the auction commission, the results of the auction with regard to a land plot in an urban area and a land plot in a rural area shall be approved by the mayor (board) of the municipality and the county governor respectively within 5 working days since the completion of the auction.

**F.18. Are you the winner of the auction**

- At the end of the auction, the highest bidder is considered to be the winner of the auction.

**F.19. The contract shall be drafted, and the place and time of signature thereof shall be notified**

- Upon the approval of the auction results, the municipality concerned shall draft, within 15 working days, a purchase-and-sale contract with respect to the non-agricultural plot of land. The draft contract shall be communicated to the county governor.

**F.20. Pay the remaining amount for the plot of land**

- Payment for the purchase of new plots of land by auction shall be effected in full or by instalments. Information concerning a possibility of hire purchase and the essential terms and conditions of the acquisition of land on hire purchase shall be published in the Informational Bulletin on Privatisation.

- The successful bidder has to remit the sums indicated in the draft contract to the specified account. Persons acquiring land on hire purchase have to pay the difference between the amount due at the moment of purchase and the initial payment, as well as a share of the initial price (consisting of the expenses incurred in the drawing up of the detailed plan of the plot of land and land plot boundaries with geodesic measurement data attached thereto, and expenses incurred in the organisation of the auction) and value added to the plot of land due to the existing civil engineering structures.

#### **F.21. Sign the contract**

- On payment the amounts due, the purchaser of the plot of land shall appear, within the given time, to sign the purchase-and-sale contract. The county governor shall represent the State and sign the contract. The purchase-and-sale contract has to be attested by a notary.

#### **F.23. Have there been any violations in the organisation of the auction?**

- If the county governor establishes that the holding of the auction or the conclusion of the purchase-and-sale contract have been effected in violation of laws and other legal acts, the county governor shall refer the draft contract back to the mayor (board) of the municipality by indicating the grounds for his/ her refusal to sign the contract.

#### **F24 The municipality confirms the auction results**

- If the county governor returns the draft of the contract unsigned, the regional or city major (board) within 10 business days must evaluate the auction results and, if necessary, initiate the abolishment of the auction results by the procedures prescribed by law.

#### **F25. Were the auction violations significant and is an initiative to abolish the auction results required?**

- If the county governor returns the draft of the contract unsigned, the regional or city major (board) within 10 business days must evaluate the auction results and, if necessary, initiate the abolishment of the auction results by the procedures prescribed by law.

## **12. THE PROCEDURE FOR ACQUIRING A PARCEL OF STATE LAND UNDER USE**

### **G1. Beginning the procedure for acquiring a parcel of state land under use**

- The procedure for acquiring a parcel of state land under use not designated (under use) for agricultural purposes, in essence differs from the procedure for acquiring a clear parcel of state land because the auction procedure is not applicable.
- Government Resolution No. 260 of 9 March 1999 regulates the procedure for acquiring a parcel of state land under use not designated (under use) for agricultural purposes.

### **G3. Petitioning the municipal land use department concerning confirmation of whether it is possible to acquire the parcel of land you desire**

- First, any person interested in acquiring land under use applies to the municipal land use department requesting confirmation of whether it is possible to acquire the parcel of land.

### **G4. Was confirmation obtained?**

- If it is possible to obtain the parcel of land (a positive answer is received), the interested person obtains an application form from the municipality for acquiring a parcel of land.

### **G5. Obtaining an application form from the municipality for the acquisition of the parcel of land**

### **G6. Applying with documents to the land use department concerning the acquisition of a parcel**

- Persons, wishing and having the right to acquire a parcel of land under use, submit the following to the city land use department according to the location of the land:
  - a request to acquire the parcel of land. If two or several persons wish to acquire the parcel of land by joint (individually or united) legal ownership, they submit a request, signed by all or by any one of them, who has a power of attorney, confirmed by a notary, to represent the other persons;
  - a document, on the basis of which, the person is using the parcel of land;
  - a copy from the technical accounting file of the plan of the parcel of land under use;
  - the legal registration documents for any structures and installations located on the parcel of land;
  - All legal persons of the Republic of Lithuania and all foreign natural and legal persons must receive authorisation of the county governor for the acquisition of a plot of land.
  - the written agreement of the joint owners of the house concerning the establishment of the division of the parcel of land, acquired under joint divisible legal ownership or (when the joint owners of the house do not agree concerning the division of the parcel

of land, the county governor's decision or a court decision in those cases prescribed Government decree);

- The request must definitely show the manner of settlement with the state for the parcel of land being acquired: lump sum or by instalments.

#### **G7. The land-use planning department submits the copies of the documents containing requests to the mayor**

- Within 10 days upon receipt of the request and the necessary documents from the applicant, the land-use planning division operating at the county level shall submit the copies of the said documents with the covering letter attached thereto to the mayor (board) of the municipality; the land-use planning division shall also request:
  - to draw up the plan of the plot of land put up for sale;
  - to offer special conditions of the utilisation of land and forest in the plot of land put up for sale.;
  - establish the town planning-architectural restrictions and conditions of the parcel of land being sold in accordance with the detailed plan of the parcel of land;
  - present a proposal concerning the establishment of the servitude of the land; and
  - calculate the addition to the value of the parcel of land being sold by utility structures.

#### **G.8. The mayor draws up the plan of the plot of land put up for sale and prepares information about it**

- The mayor (board) of the municipality shall draw up the plan of the plot of land put up for sale in accordance with the detailed plan and special plan of land plot boundaries.
- Within one month since receipt of a request from the county land-use planning division, the mayor (board) of the municipality shall furnish to the said division certified information (data) concerning the plot of land put up for sale.

#### **G9. The land use department calculates the value of the parcel of land and prepares a draft of the sale and purchase contract and if necessary co-ordinates it with the mayor**

- The land use department, after having received the information (data) from the mayor (board) by the prescribed procedures calculates the value of the parcel of land being sold and prepares a draft of a contract for the sale and purchase of state land.
- If the information (data) submitted by the regional or city mayor (board) in preparing the draft of this contract is corrected, the draft of the contract for the sale and purchase of state land is co-ordinated with the mayor (board).

#### **G10. The land use department co-ordinates the acquisition conditions with the investor (You)**

- The draft of the contract for the sale and purchase of state land, prepared by the land use department, is co-ordinated with the buyer, who confirms in writing that he agrees with the price of the parcel of land being acquired and with the other conditions for the acquisition of the parcel of land set forth in the draft of the contract.

**G11. Are you satisfied with the conditions?**

**G12. Confirming in writing that you agree with price of the parcel of land and with the other purchase conditions**

- If you are satisfied with the conditions of the contract for sale and purchase of state land, you confirm in writing that you agree with the price of the parcel of land being acquired and with the other conditions for the acquisition of the parcel of land set forth in the draft of the contract.

**G13. The documents approved by the land use department are submitted to the county governor**

- The regional or city land use department within 10 days submits the draft of the contract for sale and purchase of state land co-ordinated with the buyer together with the request to purchase a parcel of land and the required documents to the county governor.

**G14. The county governor investigates the documents and makes a decision**

- The county governor within 10 days of the submission of the documents makes a decision to sell the parcel of land or to not satisfy the request, then makes it official in an order.

**G16. The county governor issues an order satisfying the request under the indicated conditions**

- If a decision is made to sell the land, the order will show that the parcel of land may be sold under the conditions indicated in the draft of the contract for the sale and purchase of state land (or with amendments and addenda corresponding to these conditions). The draft of the contract and the other documents are attached to the order as inseparable annexes.

**G17. The land use department notifies the investor (you) that the cost of the contract should be paid**

- The regional or city land use department, within 5 days of the county governor making a decision to sell the parcel of land, notifies the buyer that he must pay the price of the parcel of land indicated in the draft of the contract for the sale and purchase of state land (the sum of the price and additions to the price due to utility structures) into the account number(s) in the banking establishments (department, branch) indicated in the contract as well as indicating the time and location (if this has been co-ordinated beforehand with the buyer) for the signing of the contract.

**G18. Paying the money**

**G19. Petitioning the land use department with the payment receipt concerning the signing of the contract**

- The buyer, after paying the indicated sum or a part of it, if the parcel of land is being purchased by instalments, with a document confirming payment by a banking establishment (department, branch), arrives at the agreed time at the location proposed by the land use department to sign the contract for the sale and purchase of land.

#### **G20. Signing the contract**

- In case of the sale of public land, the governor of the relevant county or head of administration authorised by the county governor shall represent the State and sign the purchase-and sale contract; liabilities to the creditors shall be met according to schedule and to a degree provided for in the plan.

#### **G21. The procedure for the purchase of a parcel of state land under use has been completed**

## **13. THE PROCEDURE FOR REGISTERING A PURCHASED PARCEL OF STATE LAND IN THE REAL PROPERTY REGISTER**

### **H1. Beginning the procedure for registering a purchased parcel of state land in the Real Property Register**

- Law on the Real Property Register (No. I-1539 of 24 Sept. 1996) regulates issues concerning the registration of land, which an enterprise has purchased from the state for commercial and other purposes.
- The registration of the lease, use, and other material rights of land (primarily designated for agricultural and residence purposes), structures, and buildings usually takes several days:
- Enterprises and persons register land, buildings, and leases (land and buildings) in the Real Estate Register of the State Land Cadastre and Register Enterprise.
- A mortgage (collateral) is registered in the Central Mortgage Office in accordance the LR Law on Mortgage (new revision No. VIII-252 of 10 June 1997).
- There is no specific description of the procedure for registering clear state land for a commercial purpose. The procedure for registering land with a commercial designation carried out by the State Land Cadastre and Register Enterprise is the same as the procedure for registering land with a residential designation.
- The legal acts of the Republic of Lithuania regulates the registration of:
  - land (land and structures, engineering equipment on it), which an enterprise or private person has purchased from the state for commercial or other purposes;
  - land (land and structures, engineering equipment on it), which an enterprise or private person is leasing from the state;
  - buildings, which an enterprise or private person has purchased from the state;
  - the transfer of the rights to private property; and
  - mortgages of private property.

### **H2. Petitioning the Real Estate Register concerning a request to register what was obtained**

- One petitions the Real Estate Register's Resident Service Bureau concerning a request to register what was obtained.

### **H3. Filling out the request**

- In the initial stage of registering private land, the party registering property fills out a registration request form at the Resident Service Bureau.

### **H4. Petitioning with a request and other documents the Real Estate Register's Resident Service Bureau concerning the registration of a purchased parcel**

- Property must be registered according to the location of the purchased land.

- The owner of property or a person authorised by him/her, whose power of attorney has been confirmed by a notary or another manner specified by law, must submit a filled out registration request form.
- The maximum registration term is 10 business days from the day the request was handed in.
- Usually the Real Estate Register of the State Land Cadastre and Register Enterprise takes one or two days.
- After paying double the registration fee, a shorter registration term of 1 to 2 days can be stipulated.
- The size of the fee for registration depends on the price confirmed by the state or the market price of the parcel of land: for parcels of land, not designated for agriculture and which were state property, the registration fee is 0.5 percent of the average land price.
- Together with the request form, an enterprise must submit documents confirming the owner's legal ownership of the land as well as all the documents, which need to be submitted when participating in an auction: an auction memorandum of sale, enterprise identification documents and the documents submitted for the enterprise's registration, a detailed plan of the parcel of land, a county permit and any documents connected with other immovable property located on the parcel of land.
- The originals of all documents must be submitted.
- Registration documents must be submitted in Lithuanian. If the documents are not written in Lithuanian, their translations, confirmed by the signature of the translator, must be submitted.

#### **H5. The Resident Service Bureau investigates the request and documents**

- After receiving a request and all the necessary documents, the Resident Service Bureau registers the request and enters it in the registration book.
- Within three business days after the registration of the request, the Resident Service Bureau investigates the request and documents with the purpose of establishing:
  - Whether the applicant has the right to register property;
  - Whether all the necessary documents as specified by law have been submitted;
  - Whether the data submitted by the applicant coincides with the data, which the Resident Service Bureau received earlier;
  - Whether this property can be registered; and
  - Whether the property had been previously registered

#### **H6. Was the request satisfied?**

- If the request is satisfied, the Resident Service Bureau forwards the registration data to the Real Estate Register's central database.

#### **H7. The Resident Service Bureau informs you if any misunderstandings arise**

- If, while investigating the request, misunderstandings arise for the Resident Service Bureau, it must inform the applicant about this within 10 business days, calculating from the day the application was handed in.

#### **H8. The Resident Service Bureau registers the parcel purchased**

- The parcel of land is held to be legally registered when the registration data has been introduced into the central database.

#### **H9. The Resident Service Bureau will send the documents to You**

- The Resident Service Bureau must send or deliver the registration documents to enterprise that delivered the request.

#### **H10. The procedure for registering a purchased parcel of state land in the Real Property Register is concluded**

## **14. THE PROCEDURE FOR OBTAINING A PERMIT TO ACQUIRE LAND**

### **L1. Beginning the procedure to obtain a permit to acquire land**

- Before buying land, those national and foreign entities established in the Constitutional Law must obtain a permit from the Government of the Republic of Lithuania granting the right to acquire land not designated for agriculture.

### **L2. Petitioning with documents the County Land use Department concerning the obtaining of a permit**

- The list of the documents, it is necessary to submit, is different depending on the economic entity (Lithuanian or foreign citizen/enterprise) and the status of the parcel of land is desired to be obtained (newly formed or under use), the purpose, etc.
- If a foreign entity (citizen/enterprise) wishes to acquire a parcel of newly formed land not designated for agriculture that is owned by the state, he must submit the following documents to the county governor's administration, according to the location of the parcel of land:
  - A request in the name of the LR Government concerning the acquisition of the ownership of a parcel of land not designated for agriculture;
  - in accordance with the confirmed documents of the detailed plan, the county governor's administration prepares a plan, confirmed by the county governor, of the parcel of land the ownership, the acquisition of which is desired, in which plan must be marked the buildings and installations located on the parcel of land;
  - A copy of the certificate issued by the manager of the Real Estate Register about the registered real estate and the rights to it or a copy of a document confirming the right to use the parcel of land (unless the land was purchased at auction).
- If the permit requested for obtaining the ownership of a parcel of land not designated for agricultural purposes is for an investment connected with the construction of buildings or installations necessary for direct economic activity, the investor, together with the aforementioned documents, must submit:
  1. If the investor is an enterprise:
    - A document confirming the decision by the enterprise's management body to invest;
    - A document confirming that the person submitting the request has the authority to act in the enterprise's name in acquiring the ownership of the parcel of land;
    - The annual financial statement of the enterprise confirmed by an auditor (if necessary);
    - A declaration of income or another documents having legal force confirming its financial condition or material capability (if the investor is a foreign citizen engaged in founding activity in Lithuania).
    - A business plan or other document describing the specific plans for investment and direct activities in Lithuania as well as the jobs being created; and

- A written obligation to the Government of the Republic of Lithuania to complete the construction of the buildings and installations at a prescribed time and begin the activities specified in the business plan.

2. If the investor is an enterprise of foreign origin: a copy of the enterprise's articles of association or a copy of another document corresponding to the articles of association; and a copy of the registration certificate of the foreign enterprise; or a document corresponding to it, legalised by the prescribed procedures.

3. If an investor is an enterprise not having the rights of a legal person: a copy of a founder's document of the enterprise not having the rights of a legal person, confirming its foreign citizenship or a document corresponding to it and a copy of the registration certificate of the enterprise not having the rights of a legal person.

4. Other documents indicated in Paragraph 9 of Government Resolution No. 1423 of 10 Dec. 1998.

- All certified, true copies of the submitted documents must be confirmed by a notary and, if they are not written in Lithuanian, a Lithuanian translation must be submitted. A notary must confirm the authenticity of translator's signature.
- Documents, which a foreign organisation has issued in a foreign state must be legalised:
  - Documents of countries, which have joined the Hague Convention of 5 October 1961, "On the Abolishment of the Legalisation of Documents Issued in Foreign States must be confirmed by an APOSTILLE certificate.
  - Documents of countries, which have not joined this convention, are legalised based on the Instructions for Legalisation of Consular Documents confirmed by the Ministry of Foreign Affairs.
  - Lithuania has also signed treaties concerning the non-necessity of legalising documents with 9 countries, which have not signed the aforementioned convention (Belarus, Estonia, Kazakhstan, Latvia, Moldova, Poland, Russia, Ukraine, and Uzbekistan).
- If a person commissioned by the applicant fills out the application, there must be a document, (power of attorney), confirming that the applicant granted the commissioned person this right.
- National entities, depending on their legal status, must additionally submit the other information and documents indicated in paragraph eight of Government Resolution No. 1423 of 10 Dec. 1998.

### **L3. The county governor investigates the documents and makes a decision**

- The county governor must investigate requests to allow the acquisition of the ownership of a parcel of land not designated for agriculture no later than within one month (except in cases where additional information concerning financial reliability is necessary in order to make a decision).

#### **L4. Was a decision made to issue a permit to acquire a parcel of land?**

- The county governor, after he is certain that the entity wishing to acquire a parcel of land not designated for agriculture and the parcel of land both satisfy the conditions of the Constitutional Law, makes a decision to issue the permit.
- The decision is made official by an order of the county governor.

#### **L5. The county informs the applicant about a refusal to issue a permit**

- If, after investigating the request and the documents submitted, it is established that the entity requesting to acquire the ownership of a parcel of land not designated for agriculture or the parcel of land requested do not meet the conditions prescribed in the Constitutional Law or there are restrictions or prohibitions of the activities requested as prescribed by the laws and other legal acts, the county governor will make a decision not to issue the permit and notify the entity, which submitted the request, in writing about it within 3 business days from the decision's being made, indicating the reasons for the refusal.

#### **L6. Are you going to submit an appeal to the government?**

- An applicant can appeal a decision of the county governor to the Government of the Republic of Lithuania or a ministry authorised by it.

#### **L7. Submitting an appeal to the government or an institution authorised by it**

#### **L9. Was the appeal satisfied?**

- If the LR Government or a ministry authorised by it investigate the appeal concerning the decision of the county governor, the decision it makes is final.

#### **L10. The county issues a permit**

- Pursuant to the county governor's order, a permit is issued within 3 business days from the decision's being made.
- A permit, to obtain the ownership of a parcel of land not designated for agriculture, is necessary to operate the existing buildings or installations and is valid for an unlimited period of time.
- A permit to obtain a clear parcel of land not designated for agriculture is valid only 3 months from the day of its issuance.
- If necessary, at the grounded request of the entity which received the permit, the county governor, of his own decision, can extend the time the permit is valid but for no longer than a 3 month period.
- A permit to obtain the ownership of a parcel of land not designated for agriculture is valid only for that national or foreign entity, to which it was issued.

- If the buildings and installations, for the operation of which their owner was issued permits to acquire the ownership of a parcel of land not designated for agriculture, are transferred to another owner, the permit issued is not valid for the new owner of the buildings and installations.

**L11. The procedure for obtaining a permit to acquire land is concluded**

## **15. THE PROCEDURE FOR ORGANISING CONSTRUCTION**

### **A. An investor's decision to execute construction and other work**

- Construction and issues related to it are regulated in the Republic of Lithuania by: the LR Law on Construction (I-1240 of 19 March 1996), LR Law on the Governing of the County (No. I-707 of 15 Dec. 1994), separate regulations, LR Law on Local Self-Government (No. I-533 of 07 July 1994), LR Law on the Evaluation of the Effects of Economic Activities on the Environment (No. I-1495 of 15 Aug. 1996), LR Law on Environmental Protection (No. I-2223 of 21 Jan 1992), LR Government Resolution On the Confirmation of the State Supervisory Regulations for Territorial Planning and Construction (No. 370 of 16 April 1997), a whole row of Technical Regulations (codes) for Construction, confirmed by orders of the Ministry of Construction and Town Planning (now the Ministry of Environment) and other legal acts.

### **B. Does the planned construction work depend on small jobs?**

- When wishing to execute most construction or reconstruction work, it is necessary to obtain a permit.
- A construction permit is issued to the builder (client).
- No permit is required to carry out small jobs such as small repairs or ordinary renovation; a list of these is presented in the Technical Regulations for Construction.
- The State Territorial Planning and Construction Inspection Service of the county governor's administration issues work permits.
- In order to expedite the complex procedure for issuing permits for erecting structures, Project Co-ordination Boards have been formed in the municipalities.
- The Project Co-ordination Boards usually meet once per week and are composed of representatives of all the interested institutions (Environmental Protection, Cultural Treasures Protection Department, heating network, gas, water, and electricity supply enterprises, etc.) as well as municipal architects, engineers, and planners.
- Before submitting documents to the Project Co-ordination Board, builders must collect the signatures (approval) of the representatives of Fire Protection, Societies of the Disabled, and the Health Centre.

### **B1. An assessment of the initial effect on the environmental is carried out**

### **B2. The construction is executed**

### **C. Petitioning with documents the specialised municipal service concerning the obtaining of a code of conditions for a new design**

- First, a client obtains from a specialised municipal service a request of the prescribed form, which he fills out and submits, together with documents proving his legal ownership, a general description of the planned location including its address, and expected size (gross area and the number of floors), type of building (commercial, industrial, retail sales, residential, etc. designation), a proposal for the use of the building and the land around it, as well as the planned use of the neighbouring roads. In addition, it is necessary to submit an assessment of the demand for the use of the existing heating, electrical, water, and telecommunications infrastructure.

**D. The specialised municipal division investigates the case, makes a decision concerning the possibility of building and concerning the construction conditions, and notifies the applicant within 7 days**

- A specialised municipal division investigates the request together with the attached documents and verifies whether the planned task conforms to the general plan and local detailed plan as well as whether a project for the structure can be prepared and under what conditions it needs to be established.
- The municipal division notifies the applicant in writing within 7 days whether the proposals were accepted or other changes need to be done in order for them to conform to the conditions of the detailed plan.

**E. The municipality submits a letter-request to the enterprises operating the utility networks concerning the preparation of the project's detailed technical conditions**

- After investigating the project assignment, the municipality submits a letter-request to the enterprises operating the utility networks in order for them to prepare a detailed technical conditions of the project, based on the client's (builder's) expected needs.

**F. Within 15 days, the enterprises operating the utility networks prepare the technical conditions for the project and present them to the municipality**

- The condition preparers investigate the letter-request of the municipality and the needs of the builder and then prepare the technical conditions.
- Within 15 days, these conditions are prepared and presented to the municipality.
- All the prepared technical designed conditions are included in a collection of the conditions, which the municipality confirms by the prescribed procedures.

**G. The municipality includes the technical conditions in a collection of conditions and confirms it**

**H. The collection is presented to the client and the county area planning and construction inspection service**

- The confirmed conditions collection is presented to the client (builder) within 35 days from the day of the delivery of the request (the condition collection is also presented to the county area planning and construction inspection service).

#### **I. Do you agree with the conditions confirmed by the municipality?**

- If a client does not agree with the conditions confirmed by a resolution of the municipality, this resolution within 10 days can be appealed to regional (city) major.

#### **11. Filing an appeal with the mayor**

#### **12. Did the mayor's decision satisfy the appeal?**

#### **13. Are you going to appeal against the decision in the administrative court?**

- It is possible to appeal against a decision of the regional or city major (board) in the administration court, on the basis of the procedures prescribed by LR Law on the Legal Procedures for Administrative Cases (No. VIII-1029 of 14 Jan. 1999).

#### **14. The court procedure**

#### **15. Is the court decision to satisfy the appeal?**

#### **J. Applying to the design organisation and ordering the preparation of a technical project**

- After receiving the technical conditions, the construction project manager, in accordance with these conditions, prepares a technical plan (design organisations, having certified specialists, prepare the construction projects).

#### **Q. Is a thorough evaluation of the effect on the environment necessary?**

- When issuing a permit to build structures, in the individual cases specified in the law, an enterprise must carry out an evaluation of the effect on the environment and create a plan, in which a strategy is set out on how to assure environmental protection.
- This is a part of the process of preparing a detailed planning or technical project.

#### **Q1. Carrying out an evaluation of the effect on the environment at your expense and submitting it for approval**

- According to the Law on Environmental Protection of the Republic of Lithuania (No. I-2223 of 21 October 1997), any enterprises, planning to engage in an economic activity, carry out at their own expense an evaluation of their effect on the environment, prepare the necessary documentation about the possible effect of such activities on the environment, and submit it for approval.

- The municipality and the Ministry of Environment further analyse the evaluation of the effect on the environment, based on the submitted documents. The verification is for its conformity to the Law on the Evaluation of the Effects on the Environment by Economic Activities Being Planned of the Republic of Lithuania (No. I-1495 of August 1996)
- Enterprises, which are drawing up plans for the construction of objects capable of having an effect on the environment, must, in preparing the plans, specify in the documentation of the plans the measures to rationally use the natural resources in order to avoid a negative effect on the environment.
- Before beginning to operate the objects of an economic activity, it is necessary to obtain a permit for the use of natural resources and the emission of contaminants into the environment.
- The objects of economic activity are to be operated in accordance with the conditions prescribed in the permit and by not exceeding the norms and standards of environmental protection.
- More detailed information can be found on the Internet page of the Ministry of Environment at [www.gamta.lt/Apl/apl\\_information.htm](http://www.gamta.lt/Apl/apl_information.htm)

#### **K. Contacting the enterprises operating public utility networks concerning connection to the networks**

- During the planning, builders can contact the enterprises operating the public utility networks in order to initiate connection to the public utility networks.

#### **L. Is the project large?**

- If a project is small, the project manager need not submit it to the council for approval but may co-ordinate it directly with the corresponding institutions.

#### **L1. Do you want to co-ordinate it yourself with the required institutions**

- The designer submits the prepared project to the municipal Project Co-ordination Council for examination.
- If the project is small, the project manager need not submit it to the council for approval but may co-ordinate it directly with the corresponding institutions instead.

#### **L2. Applying to the required institutions concerning co-ordination of a project**

- Enterprises may meet with the public service enterprises when obtaining permits to build structures (directly from them or through the project co-ordination council).

#### ***Electricity***

- At this time, the following procedures are valid in order to connect electrical equipment of newly designed or reconstructed operating objects to the electric networks of the energy system or to increase the power required by operating

objects energetic system over that previously allowed, and also to change the reliability category of the supply to the electrical energy consumer and the supply scheme:

1. An application of the prescribed form is filled out, in which the power required and the reliability category of the supply are indicated, and if the construction of a new object is planned, the power needs for the construction period. An object situation plan is also attached.
  2. The filled out application is submitted to the electrical network enterprise, which no later than within 15 business days prepares the technical conditions for the new electrical equipment to be connected up to the electrical network.
  3. The technical conditions prepared, if an object is to be erected or an old one reconstructed, are submitted to the municipality for confirmation. After receiving the confirmed conditions, the consumer prepares a technical work plan.
  4. The plan is submitted to the electrical network enterprise for co-ordination and after co-ordination with it (the project is co-ordinated on the day of submission), the municipal Project Co-ordination Commission performs the final co-ordination.
  5. After co-ordination in the municipality, the consumer hires a contractor to perform the construction-installation work according to the technical work project.
  6. After the work has been carried out, depending on the qualities of the installed electrical network and the operating limits, the commission is asked to accept the work carried out.
  7. After acceptance conclusions of the commission that the electrical network can be accepted for use, the latter is hooked up to the operating electrical networks.
  8. Electrical voltage into a new object is supplied only if there is an Energy State Inspection Certificate that the internal electrical networks of the object are prepared to accept the voltage and only after an electrical energy consumption contract has been concluded.
- The technical conditions are issued by procedures prescribed by the organisational-administrative technical constructions regulations STR1.05.03:1997, approved by the Order No. 245 of 14 November 1997 of the Ministry of Construction and Urban Development of the Republic of Lithuania (“*Official Gazette*”) 1997, No. 101-2559).
  - According to the new Electrical Energy Supply and Consumption Regulations (EETVT-09-99), the procedures and construction for connecting electrical equipment to the Supplier’s electrical network will change.
  - According to the temporary procedures, the consumer is to cover the Supplier’s expenses for connecting electrical equipment to the Supplier’s electrical networks (the cost of constructing common use equipment is covered by the Supplier).
  - Afterwards, when the board of AB “Lietuvos energija” will have confirmed in a session both the Method for Calculating the Expense Valuation for Connecting New Consumer Electrical Equipment to the Networks and also the calculation of the pricing and will make a decision concerning their validity date; the Consumers will be connected to the Supplier’s electrical networks by the following procedures:

The connection of new consumers according to technical conditions will be carried out in the following cases:

- when a permit is necessary for the construction of a structure;
  - when power of 1000kW or more is allowable for the consumer's electrical equipment;
  - when the electrical equipment is being connected to the high (6-110kV) voltage networks;
  - when electrical equipment is connected by groups of joint consumers (new residential areas are being built, groups of houses, etc.);
  - when electrical equipment is being connected according to category II and I supply reliability; and
  - when the electrical equipment being connected is using rural support fund moneys.
- In these cases, the consumer submits an application to a special municipal subdepartment to obtain the planning conditions. The electrical energy supplier according to the application submitted by the municipality prepares the technical conditions, according to which the consumer is to prepare and submit to the Supplier a plan for the connection of the electrical equipment to the networks.
- The electrical energy Supplier no later than within 30 business days is to present a calculation for the expense of connecting the electrical equipment, which is to be compared to the estimated value of the prepared plan. A contract is concluded, according to which the Supplier undertakes to connect the electrical equipment of the new consumer to the networks by the terms stipulated in the Contract and the consumer to pay the connection expenses.

In all other cases, the New Consumer submits an application, of the prescribed form, for connection to the electric network of the electrical energy supplier servicing that locality.

- According to the confirmed "Method for Calculating the Expense Valuation for Connecting New Consumer Electrical Equipment to the Networks", a supplier of electrical energy annually prepares and confirms a calculation of the expense valuation for connecting electrical equipment to the networks and publishes the pricing for connecting electrical equipment in "Valstybės žinios" ("Official Gazette").

### ***Water supply***

- The procedures, if you wish to install a water supply, are very similar to those for connecting to other utility services. For example, Vilniaus Vandenybės, the water supply service enterprise providing services in southeastern Lithuania, including the city of Vilnius, applies an analogous connection procedure.

### ***Heating networks***

- In all case, regardless of what kind of heating will be used, the construction plans must be co-ordinated at the Project Co-ordination Council, which assures that the plan does not harm the operating heating networks.
- The process for obtaining the approval of a heating network enterprise is very similar to other utility service enterprises.

- The builder can take care of the technical conditions him/herself or commission a certified enterprise to take of them.

#### **M. Presenting the prepared project to the municipal Project Co-ordination Council for its approval**

- The designer of the prepared plan submits it to the municipal Project Co-ordination Council.
- If the plan satisfies all the prescribed planning conditions, the Project Co-ordination Council approves the project.

#### **N. Was the project confirmed?**

- The project is held to be approved when the Project Co-ordination Council chairperson signs it.
- The builder (client) confirms the approved project for the structures.

#### **O. Applying to the County area planning and construction inspection Service concerning the obtaining a construction permit**

- After the project is confirmed, the client (builder) applies to the county area planning and construction inspection service to obtain a permit to build the object.

#### **P. The county area planning and construction inspection Service investigates the plan concerning its conformity to the detailed plan and whether other procedures were performed suitably**

- The county area planning and construction inspection service investigates the plan to be sure it conforms to the detailed plan and also whether the municipality informed the public about the construction being planned and suitably organised the work of the Project Co-ordination Council.

#### **R. Was the project approved?**

- If the project was not approved, the county governor's administration notifies the client about it in writing.

#### **R1. The council notifies the client in writing**

- If the project was not approved, the county governor's administration informs the client about it in writing.
- The letter must indicate the reasons and motives for refusing to issue the permit.

#### **S. The county governor issues a construction permit**

- After the approval of the county area planning and construction inspection service, the county governor issues a construction permit.

#### **T. The construction is executed**

**U. Informing the state area planning and construction inspection service about the completion of construction**

- After the construction of the structures, the enterprise/person notifies the state area planning and construction inspection service of the county governor's administration about it.

**V. The state area planning and construction inspection service forms a commission for the acceptance of structures for use**

- The state area planning and construction inspection service forms a commission for the acceptance of structures for use.
- This takes about 3-4 weeks from the day of the notification.
- The confirmation commission consists of the chief county inspector, a representative from the municipality (area architect), and representatives of the most important institutions (state fire service, cultural treasures protection department, state labour inspectorate, etc.).

**W. Informing the county about the end of the construction. Co-ordinating with the commission chairperson concerning a time for accepting the structure and notifying the commission members no later than 15 days beforehand.**

- The builder, after co-ordinating with the commission chairperson, informs the commission members, interested services, and 3 state supervisory institutions no later than 15 business days beforehand about the time foreseen for the acceptance of the structure for use.

**X. The commission makes a final verification with You and the contractor and signs a certificate of acceptance to use the building.**

**Y. The procedure has been completed**

- Congratulations on the completed construction work!

## **16. THE PROCEDURE FOR LABOUR SUPPLY IN LITHUANIA**

### **A. A decision to hire employees in Lithuania**

- The primary legal acts regulating labour relations are the Law on Employment Contracts of the Republic of Lithuania (No. I-2048 of 28 November 1991) and the Law on Safety of People at Work (No. I-266 of 7 October 1993).
- The Law on Employment Contracts prescribes the general procedures for concluding, amending, and terminating employment contracts. In the Republic of Lithuania employment contracts are regulated following the following fundamental principles:
  - the equality of the parties to the employment contract;
  - establishment of an additional guarantee for the most socially vulnerable groups of citizens;
  - a prohibition from unilaterally changing the conditions to which the parties agreed;
  - the employee's right to terminate the employment contract by the procedures prescribed by law;
  - the possibility for the employer to terminate the employment contract only on a basis prescribed by law;
  - the equality of employee rights regardless of their sex, race, nationality, citizenship, political convictions, religious views, and other circumstances not connected with material characteristics of the employees.

### **B. Finding suitable candidates for the job**

### **C. Signing an employment contract**

- According to the provisions of the LR Law on Employment Contracts, an employment contract is an agreement between the employee and the employer, in which the employee undertakes to perform the work of some profession, speciality, or qualification or to assume certain duties, while obeying the prescribed internal work procedures, and the employer undertakes to pay the employee wages and to assure the working conditions specified in the labour laws, collective agreements, other regulations, and the agreement of the parties.
- All work performed in the enterprise, establishment, or organisation, which a natural person performs after an agreement with the employer or persons authorised by him/her, must be listed in the employment contract. This provision is not applicable for work performed according to a copyright contract and for natural persons having a patent to perform this work.
- Each party to an employment contract must agree concerning the compulsory conditions of the contract:
  1. the employee workplace (enterprise, subdivision, etc.);
  2. the job functions (the work of a certain profession, speciality, or qualification or for a particular duty); and
  3. the conditions for wages.
- Other compulsory conditions can be specified in labour laws for individual types of work and collective agreements, which the parties are to approve, when

concluding such an employment contract (agreement concerning the term of the contract, the nature of seasonal work, etc.).

- The parties may not establish any labour conditions, which would worsen the condition of the employee compared to that, which the laws of the Republic of Lithuania prescribe. However, by an agreement of the parties, they may come to an agreement concerning other conditions of the employment contract, if the labour laws do not prohibit their establishment.
- An employment contract must be concluded in writing according to the standard form for this contract.
- The employee and employer are to sign two copies of the employment contract.
- Each employment contract must be registered in the enterprise's employment contract registration journal.
- Prior to the commencement of work but not later, the employer shall hand over to the employee a document identifying him (a certificate of employment with a photograph of the employee, his name, surname and personal number).
- When concluding an employment contract, the employer must familiarise the person being hired with the future working conditions, a collective agreement (if such is concluded), the regulations for labour procedures, and other local regulations regulating working conditions, which must all be acknowledged by signing.
- The employer does not have right to demand that employees perform work not agreed to in the employment contract. A separate employment contract must be concluded concerning additional work.

#### **D. Familiarising an employee with the requirements for occupational safety for an employee in the organisation**

- An employer cannot assign employees work until they have been instructed about the way to work safely.
- Only employees, who have acquired special knowledge or passed the occupational safety examination, can supervise and work with potentially hazardous technical equipment as well as perform hazardous work.

#### **F. Notifying SoDra about the acceptance of a new employee**

- It is compulsory to insure all employees.
- A registration form must be filled out and submitted to SoDra for each employee the same day they are hired for work.

#### **E. The employee begins to work**

- During the organisation of an employee's job, the investor may encounter the following aspects of workforce management:
  - [Altering an employee's working conditions;](#)
  - [Payment of wages to an employee;](#)
  - [Payment of contributions for state social insurance for the employees;](#)
  - [Assuring safety at work in an organisation; and](#)
  - [The regulation of employee working time.](#)
- Each of these aspects is discussed below.

### **ALTERING AN EMPLOYEE'S WORKING CONDITIONS**

- An employer has the right to alter the working conditions of an employee (change the workplace in the same enterprise and in the same locality, commission him/her to work with another mechanism or unit) as well as change any other conditions (privileges, work schedule, the size of material liability, the name of the position, etc.) only when the production or its technology is changed or the organisation of labour is rearranged and therefore the employer must change certain working conditions of the employee.
- An employee must be notified about an expected change of the working conditions no later than one month beforehand.
- If the production technology is being changed, the employer must create conditions for the employees to prepare themselves to work (upgrade qualifications, change specialities), if the production technology is changed.
- The collective agreement can specify a longer term for warnings and additional obligations for the employer to create conditions for the employees to prepare themselves to work, after a change in the production or production technology.

### **PAYMENT OF WAGES TO AN EMPLOYEE**

- Wages for employees must be paid two times a month.

### **THE ADMINISTRATION OF STATE SOCIAL INSURANCE CONTRIBUTION PAYMENTS FOR EMPLOYEES**

- One of the fundamental legal acts regulating social insurance issues is the LR Law on State Social Insurance (No. I-1336 of 21 May 1991).
- All employees are required to be insured.
- Employers must pay a state social insurance contribution each month of 31%, which is calculated on the wages calculated for each insured employee as well as pay a social insurance contribution of 3% from the wages ascribed to the employee, which is paid in the employee's name.
- Social insurance contributions must be calculated separately and paid no later than the last business day before the 15<sup>th</sup> of the successive month.

- Employers must submit a detailed payment report (including gross and net wages, SoDra contributions, a list of full-time employees and their wages, etc.) to SoDra each quarter.
- An establishment accredited to carry out state social insurance has the right to check without warning an enterprise's documents, on which SoDra contributions and benefits are based and to apply the sanctions specified by the law for violations of the law.
- Enterprises experiencing temporary financial difficulties can apply to SoDra with a request to defer payment of a contribution.

## **ASSURING SAFETY AND HEALTH AT WORK IN AN ORGANIZATION**

- The LR Law on Safety of People at Work regulates the assurance of safety and health at work in an organization.
- The employer is liable for safety and health in an enterprise.
- The employer must:
  - Ensure structures, working places, means of work, working environment in an enterprise complied with requirements set forth in regulations on safety and health at work;
  - Organize an evaluation of the state of employees' safety and care of health and to take measures to improve it, provide with safety measures;
  - Inform employees about safety and care of health in an enterprise;
  - Instruct and train employees to work safely;
  - Notify the State Labour Inspectorate about the beginning of operations in enterprises and their subdivisions; and
  - Implement other functions set forth in the Law on Safety of People at Work.
- An employer shall establish a service for employees' safety and health at work or two separate services: a service for employees' safety at work and a service for occupational medicine in an enterprise as well as to create conditions for a committee of employees' safety and health in an enterprise to function. Foregoing services may not be established and an employer performs its functions in cases set forth by the LR Government.
- The employer's knowledge concerning employees' safety and health shall be examined before an enterprise begins to operate (render services) and afterwards, no less frequently than once every five years.
- The following should be known about the service for employees' safety and health at work:
  - Specialists from the services for employees' safety and health, employees' safety at work and occupational medicine in an enterprise must have the corresponding theoretical and practical preparation.
  - A committee for employees' safety and health at work, which consists of an equal number of representatives delegated by the employer and the trade union (if there is no trade union in an enterprise, representatives selected by the employees are to

represent the employees) is to be founded in enterprises, in which more than 50 employees work.

- If fewer than 50 employees work in an enterprise, then a committee for employees' safety and health at work can be founded at the employer's or trade union's initiative or by the demand of more than a half of employees.
  - A committee for employees' safety and health at work can be founded in an enterprise in which fewer than 50 employees work in case an enterprise is engaged in some economic activities of increased professional risk established by the LR Government.
  - Committees for employees' safety and health at work hear and evaluate the activities on questions by the employer, the managers of the enterprise's subdivisions, and the services for employees' safety at work concerning safety at work; plan measures for the improvement of safety at work and the funds necessary to implement them; control the implementation of the measures and their use; and analyze the causes and circumstances of accidents and occupational ailments.
  - The employer must implement decisions adopted by the committee for employees' safety and health at work by agreement of the parties.
  - An employer shall inform the State Labour Inspectorate about reasons of release of a member of an enterprise's committee - a representative of the employees till the day of his release if the majority of members of a committee among those the majority of representatives of the employees disapprove the release.
- Disputes concerning the application of the regulations on employees' safety and health at work and violations of them are investigated:
- Individual labour disputes between employees and employers are investigated by the commission of labour disputes or by court by the procedures prescribed by Law on the Regulations of Labor Disputes of the Republic of Lithuania (17 02 1992 No. I-2386).
  - Disputes between enterprises are investigated in court or arbitration court by the procedures established by law.
  - Collective labour disputes concerning safety and health at work are to be resolved by the procedures prescribed by Law on the Regulations of Collective Disputes of the Republic of Lithuania (17 02 1992 No. I-2386).
- The State Labour Inspectorate, pursuant to the Law on the State Labour Inspectorate of the Republic of Lithuania (No. I-614 of 25 Oct. 1994) controls the observance in enterprises of the Law on Employment Contracts and the Law on Safety of People at Work of the Republic of Lithuania.

## **THE REGULATION OF EMPLOYEE WORKING TIME**

- The normal duration of work in enterprises cannot be longer than 40 hours per week. A maximum working duration including overtime cannot exceed 48 hours per 7 day period.
- The duration of the workday where, by permission of the State Labor Inspectorate, a cumulative record of working time has been introduced or where the employer has the right to organize overtime work, the duration of a workday (shift) (together with rest and meal breaks) cannot be longer than 12 hours in every 24.
- The shortened working duration according to this law is prescribed for employees who are teenagers, children, who are working in very harmful working conditions or handicapped persons.

- The Government has prescribed a shortened working duration for some categories of employees (teachers, physicians, etc.).
- Part-time work can be prescribed for pregnant women, single parents, etc.
- The LR Law on Safety at Work regulates night work, overtime work, breaks, rest days, and vacations.

#### **G. Was a probationary period established?**

- The law establishes the possibility for parties to agree a probationary period for a new employee. The term of the probation cannot be longer than three months.

#### **H. Are you satisfied with the employee's work during the probationary period?**

- If an employer is not satisfied with the results of the probationary period, he until the expiry of the probationary period can dismiss the employee from work, without following the warning term stipulated by law, without requesting the consent of the trade union body, and without paying him/her an exit benefit.

#### **I. Is an employee's work satisfactory?**

- If enterprise employee's work does not satisfy an employer, he can terminate the employment contract with the employee but that is possible to do only in those cases specified by the Law on Employment Contracts:
  - [by an agreement of the parties;](#)
  - [at the expiry of the contract's term;](#)
  - [at the employer's initiative or by his will; or](#)
  - [at the employee's will.](#)
- The Law on Employment Contracts also regulates the restrictions when terminating an employment contract, issues concerning the reduction of employees, and other important aspects of labour relations.

#### ***Terminating an employment contract by an agreement of the parties***

- The law specifies that one party to an employment contract may propose in writing to the other party to terminate the employment contract by the agreement of the parties.
- The other party, if he agrees with the said proposal, within 5 calendar days must inform the party, which submitted the proposal to terminate the employment contract.
- After agreeing to terminate the contract, the parties are also to agree from what time it is to be terminated and concerning other conditions of the contract termination (compensation, unused vacation provided, etc.)
- If the other party within 5 days does not report that he agrees to terminate the contract, then it is held the proposal to terminate the employment contract by the agreement of the parties was rejected.

#### ***Terminating an employment contract at the expiry of the contract's term***

- An employer can terminate an employment contract with an employee after the expiry of the term for the contract, if a fixed-term employment contract was signed.

#### ***Terminating an employment contract at the employer's initiative or by his will***

- At an employer's initiative, an employment contract can be terminated in the cases specified in article 29 of the Law on Employment Contracts. The most important of these are:
  1. the liquidation of the enterprise;
  2. a reduction of the number of employees due to a change of organisation of production or work;
  3. the inability of the employee to suitably perform the work entrusted to him/her due to a deterioration of his health or due to his not having the required qualifications;
  3. the negligence of the employee in performing his duties or other violations of labour discipline, if at some time prior to this during the previous 12 months, a disciplinary punishment was imposed on him/her;
  4. the misappropriation by the employee of property from his workplace or the creation of losses for the employer through illegal actions; etc.
- Any employer, except a state enterprise, establishment, or organisation, has the right to terminate an employment contract not on any grounds specified by law but based on other import circumstances (employer's will), by paying the dismissed employee the compensation stipulated by law, depending on the employee's work experience in this enterprise.

#### ***Terminating an employment contract at the employee's will***

- An employee also has the right to terminate an employment contract that has not expired after warning the employer about this in writing no later than 14 days beforehand.

### **J. Warning an employee in writing about his dismissal**

- An employer, planning to dismiss an employee, must warn him/her about this in writing in advance.
- The term for advance warning depends on the grounds for dismissing the employee and on the employee's work experience in the organisation. The terms are shown in the LR Law on Employment Contracts.

### **K. Releasing an employee**

- When releasing an employee, an employer must undertake the following actions:
  - Terminate the employment contract with that employee;
  - Register the terminated employment contract in the enterprise's employment contract registration journal; and
  - Pay the employee compensation for any vacation due him/her.

### **L. Informing SoDra about the release of an employee**

- A notice about the release of an employee, insured by social insurance, from work is to be submitted within 3 days of the release from work.

**M. The process of hiring a workforce is concluded**

## **17. THE PROCESS OF A TAX AUDIT-TAX DISPUTE**

### **A. Beginning of the process of a tax audit-tax dispute**

- The tax inspectorate inspects most enterprises once every 2-3 years (large enterprises, once a year).
- The tax inspectorate usually inspects enterprises for the entire period not inspected (i.e. from the last inspection date or the day of registration but no longer than for the last 5 calendar years).
- In those cases where the taxpayer does not submit a tax declaration, submits a false declaration or information is possessed that he avoided paying taxes, an inspector can perform a full inspection for the entire period not inspected but for no more than the last 10 calendar years.
- The tax inspectorate has the right to temporarily restrict a taxpayer's right to dispose of the property belonging to him/her.
- The temporary restriction of a taxpayer's right to dispose of property can be imposed only for that property, for which legal compulsory registration has been prescribed and only for as much as is necessary to assure exaction.
- The temporary restriction of a taxpayer's right to dispose of property is registered by a decision of the manager of the tax administration.
- The Law on Tax Administration (No. I-974 of 28 June 1995) regulates issues concerning tax disputes.

### **B. The local tax administration (LTA) draws up an inspection certificate**

- During the performance of a tax audit and after violations by the taxpayer have been found, the local tax administration draws up an inspection certificate

### **C. Are you going to file an appeal?**

- Any taxpayer, after receiving a decision drawn up by a tax administration official, has the right to file a written appeal within 20 days to that tax administration, where the official, whose actions are being appealed, works. See the LR Law on Tax Administration (No. I-974 of 28 June 1995) for the mandatory requirements for an appeal.
- The handing in of an appeal halts the decision of the tax administration or the part of it concerning the exaction of taxes, penalties, and other payments. However, during the tax dispute process, penalties for sums overdue continue to be calculated.

### **D. Filing an appeal with the tax administration**

- The compulsory requirements for an appeal are presented in the LR Law on Tax Administration (No. I-974 of 28 June 1995).

**E. The local tax administration investigates whether an appeal meets the requirements raised for it**

- The local tax administration investigating the appeal must within 30 days investigate the appeal and make a decision.

**F. The local tax administration sets a term for the elimination of deficiencies**

- If an appeal does not meet the requirements of the Law on Tax Administration, it can prescribe a term of 15 days for the elimination of the deficiencies.

**G. Correcting an appeal**

- An appeal should be corrected so that it satisfies the requirements raised by the LR Law on Tax Administration (see the LR Law on Tax Administration (No. I-974 of 28 June 1995)).

**H. The local tax administration investigates the appeal and makes a decision**

- The local tax administration investigating the appeal must within 30 days investigate the appeal and make a decision.

**I. Are you satisfied with the local tax administration's decision?**

- If a taxpayer is not satisfied with the local tax administration's decision, he has the right to appeal it in writing within 20 days to the central tax administration.

**J. Filing an appeal with the central tax administration (CTA)**

- It is not possible to appeal to the central tax administration any part of the decision of the local tax administration's official, his actions or failure to act, which was not appealed to the local tax administration;
- It also not possible to raise claims, which were not expressed to the local tax administration.

**K. The central tax administration investigates the appeal and makes a decision**

- The central tax administration must within 30 days investigate the appeal and make a decision.
- By a decision by the head of the central tax administration, the term for investigating an appeal may be extended to 60 days.

**L. Are you satisfied with the central tax administration's decision?**

- If a taxpayer is not satisfied with the central tax administration's decision, he has the right to appeal it in writing within 20 days to the tax dispute commission.

**M. Filing an appeal with the tax dispute commission (TDC)**

- The handing in of an appeal to the Tax Dispute Commission or court halts the execution of the tax administration's decision or the part of it concerning the exaction of penalties and penalties for overdue payments.

**N. The tax dispute commission investigates the appeal and makes a decision**

- The tax dispute commission must within 60 days investigate the appeal and make a decision.

**O. Are you satisfied with the tax dispute commission's decision?**

- If a taxpayer is not satisfied with the tax dispute commission's decision, he has the right to petition the courts and to appeal against the central tax administration's decision or any part of it.

**P. Appealing a decision of the central tax administration or any part of it in court**

**Q. Court process**

**R. The tax dispute procedure is complete**

## 18. OTHER USEFUL INFORMATION

[Regulation of competition](#)

[Registration](#)

[Land appropriated for public needs](#)

[Certification of information technology products](#)

### A. REGULATION OF COMPETITION

- The *Law on Competition* (No. VIII-1099 of 23 March 1999) regulates relations connected with competition in the Republic of Lithuania.
- According to this law, the Competition Council is a permanent state executive governing institution, which controls the observance of the Law of Competition and investigates any cases connected with possible violations of the Law on Competition.
- Investors can encounter the application of the Law on Competition and the Competition Council in the following instances:
  - when it is necessary to obtain a permit to carry out a market concentration (discussed in the procedure to obtain a permit to begin an activity); and
  - in cases connected with an abuse of a dominating position; prohibited agreements (discussed in the procedure to obtain permits to begin an activity); and unfair competition.

#### ***Regulation of a dominating position***

- A dominating position according to the provisions of the Law on Competition is held to be the situation consisting of one or more economic entities in a corresponding market where there is no direct encounter with competition or where they are able to wield unilateral, decisive influence in the corresponding market, significantly limiting competition.
- If it is not proven otherwise, an economic entity is held to occupy a dominating position in the corresponding market if its market share consists of no less than 40 percent.
- If it is not proven otherwise, it is held that each of three or fewer economic entities, to whom fall the largest share of the corresponding market, together composing 70 percent or more of the corresponding market share, occupy a dominating position.
- In those cases where it is proven otherwise, an economic entity is not held to be occupying a dominating position even though its market share corresponds to that indicated in the law.
- The law prohibits the abuse of a dominating position.
- The Law on Competition does not specify the application of exceptions for the abuse of a dominating position.

### REGULATION OF UNFAIR COMPETITION

- To unfair competition, according to the provisions of the Law on Competition, are ascribed activities, which contradict the honest practices of an economic activity and good practice, where such activities can harm the capability of other economic entities to compete, including:
  - Arbitrary use of marks, which are identical or similar to the name of another economic entity, a registered trademark or an unregistered widely-known trademark, or any other marks with a distinguishable feature, which are used with the right of priority;
  - misleadingly presenting them with false or unsubstantiated information about the quantity, quality, component parts, use characteristics, manner or place of manufacture, cost of their own or another economic entity's goods or suppressing the risk connected with the consumption, processing, or other use of these goods;
  - the use, transfer, and publishing, without the consent of this economic entity, any information, which is a commercial secret of another economic entity, as well as the obtaining of the same information from persons, who do not have the right to convey this information, while having an aim to compete, seeking an advantage for oneself or to create damages for this economic entity;
  - an offer to the employees of a competing economic entity to terminate their employment contract or not fulfil all or a part of their work duties in order to seek an advantage for oneself or to create damages for this economic entity;
  - the imitation of the product of another economic entity or its packaging, the copying of the form, colour, or other distinguishing marks of that product or its packaging, if that could mislead due to the identity of the products or if by these actions, it is sought to take advantage of another economic entity's reputation to obtain a dishonest advantage;
  - to provide false or unsubstantiated information about the persons managing one's own or another economic entity's, the qualifications of the employees, or the legal, financial, or other situation of an economic entity, if it could thereby harm another economic entity; and
  - the use of advertising, which according to the law is held to be misleading.
- The Law on Competition specifies that in a case of unfair competition, an economic entity, the legal interests of which are harmed, has the right to file a claim in court for the discontinuance of the illegal actions and/or redress for the damages done.
- In those cases where the interests of many economic entities or consumers are harmed, the Competition Council investigates cases of unfair competition.
- The following have the right to demand an investigation of activities limiting competition be started:
  - Economic entities, the interests of which are being harmed due to activities limiting competition,
  - State management and municipal institutions as well as associations or unions representing economic entities and consumer interests.
- The Competition Council has the right to start an investigation on its own initiative.
- The Competition Council must investigate declarations concerning activities limiting competition no later than 14 days from the submission of declaration and

documents and pass a resolution to start an investigation or refuse to start an investigation.

- The Competition Council must complete the investigation no later than 3 months from starting the investigation.
- By reasoned resolution, the Competition Council can extend this term each time by no longer than 2 months.
- While performing an investigation, the Competition Council has the right to obtain information and documents from economic entities, state governing and municipal institutions, as well as obtain oral and written explanations from any persons connected with the activity of the economic entities being checked.
- The officials authorised by the Competition Council, after the completion of the investigation, hand over the case together with their conclusions and proposals to a session of the Competition Council for investigation or the Competition Council discontinues the investigation by the prescribed procedures.
- The Law on Competition also regulates the procedures for appealing the actions of the officials performing the investigation, the application of measures of a temporary nature concerning the process of investigating activities limiting competition, the procedures for appealing resolutions of the Competition Council, and issues concerning liability for violations of the Law on Competition.

#### ***B. REGISTRATION***

- Various registrations exist in the LR: the registration of parcels of ground being acquired or leased was discussed in the procedures for acquiring and leasing a parcel of land, the registration of enterprises and the registration of their names were discussed in the procedure for registering enterprises; and the registration of taxpayers, those making social insurance contributions, and payers of VAT were discussed in the procedure for the registration of activities. In this section, information about the registration of buildings, which a private person or enterprise has acquired from the state as well as mortgage registration and registration of excise taxpayers, is presented.

#### **REGISTRATION OF BUILDINGS, WHICH A PRIVATE PERSON OR ENTERPRISE HAS ACQUIRED FROM THE STATE**

- The Resident Service Bureau of the State Land Cadastre and Register Enterprise registers buildings like it does land.
- According to the laws of Lithuania, all buildings (real property) must be registered within 3 months after their acquisition (the signing of the contract).
- The procedure for registering buildings is similar to the procedure for registering the acquisition or lease of land: after submitting a filled in request and all the necessary documents, the State Land Cadastre and Register Enterprise must register the building within 10 days.
- Usually this process takes one to two days.

## **MORTGAGE REGISTRATION**

- The Central Mortgage Office under the Ministry of Justice is responsible for the registration of mortgages and the creation of a central mortgage database.
- When wishing to register, an enterprise must go to the State Land Cadastre and Register Enterprise and obtain a property certificate for the asset, which it is planning to mortgage (a 25 Litas fee is paid for this).
- The enterprise presents a notary with the certificate issued, the enterprise's registration documents, and a bank certificate about the enterprise's financial data. The notary prepares those documents, which need notarial confirmation, and confirms the certificate registering a mortgage.
- After obtaining the documents prepared and confirmed by a notary, the enterprise goes to the nearest regional branch of the Central Mortgage Office and obtains a request form to register a certificate registering a mortgage.
- The enterprise submits the filled out request and pays a 100-Litas fee for registering the certificate registering a mortgage.
- After submitting a request to register the mortgage and the other documents necessary as well as the certificate registering a mortgage, the mortgage employee enters the data into the mortgage register and performs a formal verification of the certificate registering a mortgage: whether this certificate was confirmed by a notary, whether all the certificate's boxes have been filled in, and whether all the necessary documents have been attached and then registers it.
- According to the laws, the mortgage office must investigate a request and the documents connected with it within one day from its receipt (the mortgage office must confirm that the certificate registering a mortgage was correctly drawn up, that it satisfies the requirements of the Law on Mortgages, that it was confirmed by a notary, and that the registration fee has been paid).
- After establishing that the request and certificate registering a mortgage have been filled out correctly, a Central Mortgage Office employee submits the request to a mortgage judge.
- The mortgage judge performs a legal investigation of all the documents and verifies whether the mortgage computer document submitted by the mortgage office employee correspond to the data on the certificate registering a mortgage.
- The entire process of registration in the Mortgage Register cannot take longer than 3 business from the day the documents were submitted to the mortgage division.
- If a request was not satisfied, an enterprise (applicant) must be acquainted with the reasons for rejecting the request and with the requirements, which need to be fulfilled in order for the request to register it to be satisfied.
- If these requirements are not fulfilled within the prescribed term, the request is rejected and together with the other documents, returned to the applicant.

- If the request to register a security was satisfied, the mortgage judge must register the mortgage in the local Mortgage Register no later than within 1 business day and within 24 hours enter the data about the registered security into the Central Mortgage Register.
- A mortgage is held to be registered from the moment of its registration in the Central Mortgage Register.
- The registered original of the certificate registering a mortgage together with the other documents and the mortgage registration certificate must be forwarded to the holder of the certificate registering a mortgage, who usually is the creditor.
- A copy of the certificate registering a mortgage is kept by the Central Mortgage Office.
- After registering a mortgage, the Central mortgage Office within 24 hours delivers the mortgage registration data to the State Land Cadastre and Register Enterprise and also notifies the creditor in writing that the registration process has been concluded. The documents are sent to the creditor no later than within 3 business days of registration.

#### **REGISTRATION AS AN EXCISE PAYER**

- There is not separate registration of excise payers, except those paying the sugar excise. However, any activities connected with certain goods, on which an excise tax is levied (oil and its products, alcohol, tobacco, electricity, and jewellery) require that a corresponding license be obtained.

#### **C. Land appropriated for public needs**

- According to article 32 of the LR Law on Land, land possessed by a landowner and those using state land, can be appropriated only in exceptional cases according to resolutions of the Government of the Republic of Lithuania or the county governor, where this land is necessary:
  - for national defence;
  - for state aerodromes, ports, and their installations;
  - to lay state railways, state roads, pipe main networks, and high voltage electrical lines;
  - for important state constructions of significance, to expand city and residential infrastructures, for the common needs of the inhabitants, and for public construction and recreation;
  - to exploit profitable excavations, prospected with state funds;
  - to fix state survey, gravimetric, and astronomical network points;
  - for the security needs of natural, archaeological, and historical complexes and objects;
  - for the needs of the local municipality and for common (public) use, if that is specified by the prescribed procedures in the prepared city and residential detailed plans or land use projects; and
  - to realise economic projects important to the state, the state importance of which the Seimas or Government has acknowledged by a resolution.

- When appropriating a parcel of private land for public needs, the landowner must be justly compensated by the payment of the actual cost of the parcel of land in coin or by the provision of an equivalent value parcel of land in the same locality, as well as indemnifying other losses that arose due to the appropriation of the land by the procedures prescribed by the law and the Government of the Republic of Lithuania.
- The person interested in the appropriation of the land by the terms and under the conditions stipulated in the agreement between the parties is to indemnify the private landowners and other legal users of private and state lands for the losses that arose due to the appropriation of their land for public needs.
- The initial value of the appropriated parcel of land and any losses connected with the appropriation of the land are computed by the procedures prescribed by the Government of the Republic of Lithuania and are shown in the resolution concerning the appropriation of the land for public needs. The person interested in the appropriation of land is the Government of the Republic of Lithuania, the Ministry, the county governor, municipal institutions, or other governing institutions, which present a request to appropriate land for public needs.
- The courts resolve any disputes concerning the manner and size of compensation.
- If the size and manner of compensation, established in a resolution to appropriate the land for public needs, do not satisfy the landowner or other legal user of private or state land and he does not reach an agreement with the person interested in the appropriation of the land concerning the manner or size of compensation within two months of the decision for a second publication in the press concerning the appropriation of the parcel of land for public needs, the person interested in the appropriation of the land for public needs within ten days must petition the courts concerning the establishment of the size and manner of compensation.
- Regardless of whether an agreement has been reached concerning the manner or size of the compensation, within two months of the decision for a second publication in the press concerning the appropriation of the parcel of land for public needs, the person interested in the appropriation of the land must pay the sum of the size of compensation indicated in the resolution of the Government of the Republic of Lithuania or county governor concerning the appropriation of land for public needs into an account opened in the name of the owner, lessee, or user of the parcel of land being appropriated or if said account is not known to the person interested in the appropriation of the land and he cannot open another account in the name of the owner, lessee, or user of the parcel of land being appropriated, then into the deposit account of the court bailiff's office.
- If the courts decide another size for the losses that arose from the appropriation of the land, the person interested in the appropriation of the land settles with the previous owner of the parcel of land under the conditions indicated in the court decision.
- After a resolution has been passed to appropriate private land for public needs, the landowner does not have the right to use it as collateral or otherwise encumber it.

- After an agreement has been concluded concerning the manner and size of compensation for the land appropriated for public needs, the legal ownership of the land passes to the state when the person interested in the appropriation of the land for public needs has settled with owner of the parcel of land appropriated under the conditions specified in the agreement.
- Pursuant to the LR Law on Investments (No. VIII-1312 of 07 July 1999), compensation for an investment must correspond to the market price (value) of the land, which existed before the appropriation needing to be compensated or before the public announcement of this, taking into consideration that which occurred first.
- Compensation must be paid no later than within three months from the day of the appropriation needing to be compensated together with the any interest prescribed by law for delays.
- If the owner of the land being appropriated is a foreigner, compensation can be paid in a foreign currency or be transferred abroad without restrictions.

#### **D. Certification of information technology products**

- All information technology products and cash registers being imported into or manufactured in Lithuania must be certified by the certificate institution, V “Infostruktūra”.
- Information technology products are certified in accordance with requirements of EU standards.
- Only finished products, which are foreseen as individual commercial units, are certified.
- Products are certified according to the same regulations as in the EU.
- Samples of products being imported are usually not tested. Certificates are issued to them after the EU certificates or the test reports are acknowledged.
- If the products are being manufactured in Lithuania, the certificate institution’s experts verify the stability of the production, directly visiting the factory manufacturing the products.
- For products being imported, the report of production verification by the foreign certification institution or the manufacturer’s quality system certificate (according to ISO 9000) is sufficient.
- When desiring to certify products, the applicant must submit an application of the prescribed form.
- The applicant pays for the expenses of certifying and inspecting the product after obtaining the certificate.

- For foreign applicants, a certificate fee of from 1,140 to 1,700 Litas has been prescribed, depending on the product (for certification of additional modifications, the fee is 60-172 Litas).
- A Lithuanian applicant pays 1.2-1.5 times less for certification than a foreign applicant.
- All the partners of an applicant and all, to whom the applicant has granted the right to use the certificate and corresponding certification symbol, have the right to use the certificate and the corresponding certification symbol.
- The certification institution recognises certificates from certification institutions accredited by the member states of the EU and the testing reports of test laboratories accredited by foreign states.
- If a supplier wishes to import or manufacture products in Lithuania, which another supplier has certified and the former has not received the right to use the latter's certificate, he must certify the same products in his own name.

I.

**18. ENTERPRISE RESTRUCTURING PROCEDURE**

**A. Enterprise restructuring**

- The enterprise restructuring process means the implementation of technical, economic and organisational measures related to the change of the type of economic activities, modernisation of operations, improvement of working practices, the sale of the enterprise's property or a portion thereof, acquiring the property of other enterprises as a result of their merger or split, which are aimed at restoring the solvency of the enterprise and avoiding bankruptcy, as well as modification of the scope and time period to fulfil the obligations of the enterprise.
- The enterprise restructuring process is regulated by the Enterprise Restructuring Law (20 March 2001 No. IX-218).
- Banks, credit unions, other credit institutions, insurance companies, investment companies, funds, and public trading in securities agents are not subject to the restructuring process.

**B. Can the enterprise restructuring process be initiated?**

- The enterprise restructuring process can be initiated if, after the lapse of three months from the deadline prescribed for the discharge of the obligations of the enterprise, the enterprise fails to settle with the creditor(s) and if it has not terminated its business activities and bankruptcy proceedings or extra-judicial bankruptcy proceedings have not been initiated against it.

**C. Has the creditor(s) of the enterprise filed a written proposal to restructure the enterprise to the head of the enterprise administration?**

**D. Has the head of the enterprise administration filed a proposal to restructure the enterprise to the main creditors?**

**E. Has the meeting of creditors taken a decision to restructure the enterprise?**

- The head of the enterprise administration addresses the enterprise managing body, founders and owners seeking their agreement on the restructuring of the enterprise and convenes the meeting of creditors.

**F. Has the head of the enterprise administration received the authorisation of the enterprise managing body, founders and owners to restructure the enterprise?**

**G. Head of the enterprise administration files a petition for taking restructuring proceedings against the enterprise.**

**H. Creditors file a petition for taking restructuring proceedings against the enterprise.**

**I. Has the court instituted restructuring proceedings?**

- Upon the receipt of a petition for restructuring, the court collects additional information and having determined that there is sufficient grounds for initiating

restructuring proceedings, issues an order to restructure the enterprise and appoints an administrator of the enterprise for the period of drawing up a restructuring plan or for some other period as provided for by the meeting of creditors.

- Where the enterprise meets the claims of the creditors who filed a petition with the court for restructuring before the court has issued an order or where the court has not been presented documents required by it or if proceedings in bankruptcy have been instituted against the enterprise, the court refuses to institute restructuring proceedings against the enterprise.
- If the petition for restructuring is filed at the time when the petition for instituting bankruptcy proceedings is investigated and where an order to institute bankruptcy proceedings has not yet been issued, the investigation of the petition for bankruptcy is suspended until the court issues an order to institute or refuse to institute restructuring proceedings against the enterprise.

#### **J. Investigation of a restructuring case in court.**

- Where restructuring proceedings against the enterprise are instituted, the creditors of the enterprise refer their claims to the enterprise administrator within the time limit fixed by the court. The enterprise administrator submits them to the court for approval. The claims approved by the court are satisfied according to the terms and scope set forth in the restructuring plan pursuant to the following sequence for satisfying the creditors' claims: creditors' claims secured by pledge and/or mortgage charge, first in line for satisfaction stand claims of the workers and second in line for satisfaction stand all other claims. Claims of the creditors of each successive sequence are met after full payment of the claims of the creditors of the preceding sequence. The creditors' claims are satisfied in two stages: during the first stage the creditors' claims are satisfied not including the computed interest and default interest, while in the second stage the remaining part of the creditors' claims.
- Where restructuring proceedings have been instituted against the enterprise, the enterprise managing bodies implement the restructuring plan, dispose of the assets and manage the business activities of the enterprise in accordance with the competence prescribed to them in the regulations of the enterprise and other documents regulating the activities of the enterprise subject to limitations provided for in the restructuring plan or the order of the court. The activities of the enterprise managing bodies are supervised by the administrator and the chairman of the creditors' meeting.
- The administrator of the enterprise monitors or makes appropriate arrangements for drawing up the restructuring plan for ensuring the long-term solvency of the enterprise (unless the plan is drawn up before the court issues an order to institute restructuring proceedings) and submits it to the meeting of shareholders and upon the approval of the latter - to the court for approval. In addition, the administrator supplies information to the court and other interested persons on the operations of the enterprise, examines the transactions that the enterprise under restructuring had entered into before the institution of restructuring proceedings, and convenes the meetings of creditors.

- The meeting of creditors may elect a creditors' committee and delegate to it all or part of the rights of the creditors' meeting.
- Where restructuring proceedings are instituted against the enterprise, the activities of the enterprise are conducted subject to the restructuring plan. Except where the restructuring plan provides otherwise, the enterprise does not discharge of its financial obligations, including payment of default interest and interest on its obligations, recovery of debts from the enterprise subject to writs of execution is suspended, and transactions are not entered into. However, the enterprise must make all current payments unless it has entered into agreements with its creditors whereby the creditors agree to defer those payments, to waive their claims or to replace them by some other liability.

#### **K. Discontinuation of restructuring proceedings**

- Subject to the approval of the creditors' meeting, the head of the administration may apply to the court for discontinuation of restructuring proceedings. The court discontinues the restructuring proceedings, if:
  - within 4 months from the effective date of the court order to institute restructuring proceedings, the restructuring plan has not been presented to it;
  - in the course of restructuring process it transpires that the restructuring plan cannot be implemented due to the fact that the data on the economic position of the enterprise furnished was inaccurate and this is confirmed by the creditors' committee (meeting);
  - it transpires that the measures provided for in the restructuring plan will not be implemented and the enterprise fails to prove that the restructuring plan will be implemented.
- Where, in the course of the implementation of the restructuring plan, grounds for instituting bankruptcy proceedings are established and a petition for bankruptcy is filed with the court, the court issues an order to discontinue the restructuring proceedings and institute bankruptcy proceedings against the enterprise.
- Upon the implementation of the restructuring plan, within 10 calendar days the head of the enterprise administration and the administrator of the enterprise prepare a statement on the implementation of the restructuring plan and within 5 calendar days file it with the court. The court renders a judgement to approve of the statement on the implementation of the restructuring plan and to terminate the restructuring proceedings.

#### **L. End of process**

## 19. ENTERPRISE BANKRUPTCY PROCEDURE

### A. Bankruptcy procedure

- Bankruptcy means the state of an insolvent enterprise where bankruptcy proceedings have been initiated in court or the creditors are performing extra-judicial bankruptcy procedures in the enterprise.
- Insolvency of an enterprise means the state of an enterprise when it fails to settle with the creditor (creditors) after the lapse of three months from the deadline prescribed for the discharge of the obligations of the enterprise or upon the expiry of the said period after the creditor (creditors) demands/ demand the discharge of the obligations where the deadline has not been said in the agreements, and the overdue obligations (debts) are in excess of over a half of the value of the assets on the enterprise balance-sheet.
- The process of enterprise bankruptcy is regulated by the Enterprise Bankruptcy Law of the Republic of Lithuania (No. IX-216, 20 March 2001). This Law applies to all enterprises, banks and credit unions, registered in the Republic of Lithuania in the manner prescribed by legislation. The specific features of the bankruptcy process of individual types of enterprises (banks, credit unions, insurance companies, investment companies, etc.) may be established by the special laws regulating the activities of the said enterprises.
- The process of enterprise bankruptcy may be performed in court and out of court. Extra-judicial bankruptcy procedures may be applied, provided that no action has been brought in court in which claims to property have been entered against the enterprise, also if no execution is levied on the enterprise under the writs of execution issued by the courts or other institutions. The decision to carry out extra-judicial bankruptcy procedures may be adopted by the meeting of creditors if the decision is openly voted in favour of by the creditors whose claims in terms of value account for at least 4/5 of the amount of the enterprise's liabilities. In carrying out bankruptcy procedures out of court, the matters lying within the competence of the court are considered and settled by the meeting of creditors.

### B. Has/ have the creditor (creditors) filed the petition with court for the initiation of the enterprise bankruptcy proceedings?

- A creditor (creditors) of the enterprise may file a petition with court for the initiation of the enterprise bankruptcy procedures not earlier than after the expiry of three months from the date by which the obligations of the enterprise had to be fulfilled or upon the expiry of the same period of time after a creditor (creditors) requested the discharge of the enterprise's obligations, provided that the period of time has not been fixed as per agreement if:
  - the enterprise fails to pay wages and other employment-related amounts when due;
  - the enterprise fails to pay, when due, for the goods received, work performed/ services rendered, defaults in the repayment of credits and does not fulfil other property-related liabilities assumed under transactions; or
  - the enterprise fails to pay, when due, taxes, other compulsory contributions prescribed by laws, and/ or the awarded sums.

- The creditor (creditors) must notify the head of administration of the enterprise in writing of his (their) intention to file a petition for bankruptcy. The notification shall identify the undischarged obligations of the enterprise and shall contain a warning that in case of failure to discharge the above obligations within the time limit specified in the notification, the creditor (creditors) will file a petition with court for the initiation of the enterprise bankruptcy proceedings. The creditor (creditors) shall set an at least 30-day period for the discharge of the obligations.
- The aforementioned periods of time shall not apply in the presence of the following conditions:
  - the creditor (creditors) file(s) a petition for bankruptcy were 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 obligations, or
  - the enterprise has no assets or income from which debts could be recovered and therefor the bailiff has returned the writs of execution, however the creditor (creditors) file(s) a petition with court for the initiation of enterprise bankruptcy proceedings not later than one month after the date on which the writs of execution have been returned.

**C. Has (have) the head of the enterprise administration, owner (owners) filed a petition with court for the initiation of the enterprise bankruptcy proceedings?**

- If the enterprise is and/or will be unable to settle with the creditor (creditors), and the latter has (have) not filed a petition for bankruptcy with court, or if 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 obligations, the head of the enterprise administration, owner (owners) shall file a petition with court for the initiation of the enterprise bankruptcy proceedings.

**D. Has the liquidator of the enterprise in liquidation filed a petition with court for the initiation of the enterprise bankruptcy proceedings?**

- If it transpires during the liquidation of the enterprise that it will be unable to discharge all its obligations, the enterprise liquidator must forthwith suspend all payments and not later than 15 days from the day of establishment of the said state file a petition with court for the initiation of the enterprise bankruptcy proceedings.

**E. Does the court institute bankruptcy proceedings against the enterprise?**

- Upon the receipt of a petition for bankruptcy, the court shall investigate the circumstances of relevance to the case and may apply action enforcement measures.
- Not later than within one month since the date of the receipt of a petition for bankruptcy, the court shall issue an order to institute bankruptcy proceedings or to refuse to institute bankruptcy proceedings against an enterprise. Bankruptcy proceedings shall be instituted if the court establishes that the enterprise is insolvent and/ or the enterprise has made a public announcement or notified the creditor (creditors) in any other manner of its inability to settle with the creditor (creditors) and (or) of its lack of intent to discharge its obligations. The court shall

refuse to institute the bankruptcy proceedings if the enterprise satisfies the claims of the creditor (creditors) who filed a petition for bankruptcy before the court issues an order to institute bankruptcy proceedings, or if the restructuring proceedings have been instituted against the enterprise.

#### **F. Judicial bankruptcy process**

- Upon issuing an order to institute bankruptcy proceedings, the court shall appoint the administrator of the enterprise, notify the interested parties of the institution of bankruptcy proceedings against the enterprise, take over the investigation of cases from other courts in which action for claims to property has been brought against the enterprise, take over the documents relating to the attachment on the assets of the enterprise.
- Within the time limit set by the court, the creditors shall file their claims with the enterprise administrator. The administrator shall furnish the claims to the court for approval.
- After the court order to institute bankruptcy proceedings becomes effective, the enterprise managing bodies must transfer the assets of the enterprise to the administrator. The enterprise managing bodies shall lose their powers, while the enterprise administrator shall terminate employment contracts with the members of the board of the enterprise and the head of the administration. Upon the institution of the bankruptcy proceedings, the enterprise shall be prohibited from the discharge of all financial obligations not met prior to the institution of the bankruptcy proceedings. The enterprise shall be entitled to engage in economic-commercial activity, provided it reduces the creditors' losses incurred by reason of bankruptcy, and shall also have the right to use the income received from such activity to cover expenses related thereto. Upon a motion by the creditors, the court may impose restrictions on the enterprise's economic-commercial activities and disposal of its assets, which may be sold, leased or pledged, also used as collateral or a guarantee for the discharge of other entities' obligations, or may be otherwise transferred (conveyed) only by leave of the court.
- The enterprise administrator shall submit information to the interested persons, direct the activities of the enterprise, manage, use and dispose of the assets of the enterprise in bankruptcy, protect the rights and interests of all creditors and the enterprise in bankruptcy, organise and perform the activities required for the bankruptcy process, fulfil other decisions of the court and /or the creditors' meeting and committee, take measures to recover debts from the debtors of the enterprise, etc.
- Creditors' meetings shall be convened by the court, enterprise administrator or chairman of the creditors' meeting. The creditors' meeting controls the course of the bankruptcy process and the activities of the enterprise administrator, protects the interests of the creditors, decides on the continuity, restriction or termination of the economic-commercial activity of the enterprise, may compose the creditors' committee and establish its rights and responsibilities. In addition, the creditors' meeting may also adopt decisions on concluding the arrangement with the creditors and propose to the court that the liquidation procedure be applied to the enterprise, and adopts other resolutions.

## **G. Dismissal of a bankruptcy case**

- A bankruptcy case shall be dismissed when all creditors waive their claims and the court passes an order to accept the waivers, or when the enterprise in bankruptcy effects settlements with all the creditors (creditor) and the administrator files documents in proof thereof with the court, or the arrangement with the creditors is concluded and approved by the court.
- The arrangement with the creditors may be concluded at any stage of bankruptcy process until the court order to liquidate the enterprise by reason of bankruptcy becomes effective. The arrangement with the creditors shall specify the concessions made for the enterprise and the creditors' claims, obligations of the enterprise, ways and schedule of satisfaction of the creditors' claims and liability of the enterprise in case of failure to carry out the arrangement with the creditors. The arrangement with the creditors shall be signed by all the creditors whose claims have not been met in the course of bankruptcy process before the date the arrangement with the creditors is signed. The arrangement with the creditors shall be subject to approval by the court.

## **H. Liquidation of the bankrupt enterprise**

- If an order to conclude the arrangement with the creditors is not issued within 3 months from the effective date of the order to satisfy the creditors claims, the court shall issue an order to put the enterprise into liquidation as a result of bankruptcy or shall give an extension of the deadline for the investigation of the bankruptcy case. The court may grant the extension of the deadline only if so requested by the creditors' meeting.
- Having declared the enterprise bankrupt and having issued an order to put the enterprise into liquidation, the court shall approve the amount of each creditor's claims, the procedure of liquidation as well as other orders and directions necessary for carrying out the liquidation procedure.
- The functions of the enterprise liquidator shall be performed by the administrator. The enterprise liquidator shall dispose of the enterprise assets and resources and ensure their safety, organise the sale of the assets and sell or transfer the assets to the creditors, satisfy the creditors claims, hand over to the archive the documents of the enterprise which are subject to safekeeping, file with the court the liquidation balance sheet and the statements of return, writing off or transfer of the remaining assets, communicate the data relating to the liquidated enterprise to the institution authorised by the Government, perform other liquidation-related activities.
- The creditor's claims secured by pledge and/ or mortgage shall be paid first of all from the proceeds obtained from the sale of the pledged assets of the enterprise or by transferring the pledged assets. The creditors' claims shall be satisfied in two stages. During the first stage the creditors' claims shall be satisfied in the sequence established under this Article, not including the computed interest and default interest, while in the second stage the remaining part of the creditors' claims (interest, default interest) shall be paid in the same sequence. First in line for satisfaction shall stand claims of the workers. Second in line for satisfaction

shall stand claims for payment of taxes and other payments into the budget, also for compulsory state social insurance contributions and compulsory health insurance contributions, as well as claims relating to loans obtained in the name of the State or loans guaranteed by the State. Third in line for satisfaction shall be all other claims of the creditors. Claims of the creditors of each successive sequence shall be met after full payment of the claims of the creditors of the preceding sequence.

- After the administrator has filed with the court the liquidation balance sheet and the statements of return, writing off or transfer of the remaining assets as well as the certificate issued by the Regional Department of the Ministry of the Environment, the court shall adopt a decision on the winding up of the enterprise.
- The administrator shall file a petition with the administrator of the Register of Enterprises for the removal of the enterprise liquidated as a result of bankruptcy from the Register.

## **I. End of process**