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Baltic Newsletter

Law and Taxes in Estonia, Latvia and Lithuania

Issue: February 2017

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Dear Readers,

2017 began with a surprise for the Baltic States: they discovered that they were now classified as Northern European countries. The UN has been classifying them as such since at least 2002, but the Baltic States had been hitherto unaware of this fact.

This classification once again provides strong material evidence of the fact that Estonia, Latvia and Lithuania have cut ties with parts of their past, and are now not only politically, but also culturally and economically orienting themselves more to the West than the East.

Economically speaking, the Baltic States were off to a flying start in 2017. After recording stable growth rates in 2016, new EU subsidies are expected to attract economic growth of between 2 and 3 percentage points in 2017.

The Baltic States are becoming increasingly dependent on a diversified economy that is distributed amongst an array of small companies vying for the attention and favor of large foreign investors. However, for both existing and new shareholders, such capital investments offer not only numerous advantages, but also specific risks, which must be carefully examined and eliminated before participation or the entry of new shareholders.

Therefore, in the current issue of our Baltic Newsletter, we draw your attention to these possible risks and, if necessary, show you how to eliminate them.

I hope that you will find the following valuable summer reading

Jens-Christian Pastille, LL.M.
Managing Partner
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> Targeting: Amendments to the Lithuanian Law on Companies – Do small investors may get the right "wield power" over major shareholders?

Hans Lauschke, Rödl & Partner Lithuania
Liudgardas Maculevičius, Rödl & Partner Lithuania

In brief:

- The Lithuanian Ministry of Justice is currently reviewing a draft law which is intended to give minority shareholders in Lithuania greater rights.
- Should this draft law comes in force, small investors could significantly influence the company's management.
- Majority- and minority shareholders within the same company often pursue diametrical interests - to ensure a stable internal structure inside the company, a fair balance of these legitimate interests should take place.
- In order to be prepared for any changes, companies should review their articles of association and - if they do not exist - conclude so-called shareholders' agreements.

Starting point

The 189 economies in the World Bank's Doing Business Report are ranked according to ten categories related to the Ease of Doing Business. Lithuania is ranked 20th out of 189 in 2016 - an impressive achievement. But it performed less well in one category: Protecting Minority Investors (47th).

The rights and interests of minority shareholder are often overlooked. Commonly, a dispute is not limited to shares but also encompasses issues relating to directorship and importantly: the value of the shares. There is, therefore, quite a lot that can go wrong for a minority shareholder.

A minority shareholder in a company usually does not have the power to influence its management, with the result that their interests are often disregarded. Should they need to protect their position, however, a minority shareholder can do so in a number of ways which, according to the initiators of the draft law, are not yet sufficiently broad.

The law provides the shareholders of a company with certain rights. How these rights can be used, however, is dependent upon the control and influence afforded under the shares, often incorporated in the Articles of Association. A bespoke set of Articles of Association, and if appropriate, a shareholders' agreement, can provide for an exit route in the event of a shareholder dispute – as this saves time and money.

Shareholders' agreement:

- A shareholders' agreement is an agreement between the shareholders of a company.
- It regulates the rights and obligations of individual shareholders as well as their relationship to one another and thus provides legal certainty for all parties involved.
- It may also include provisions governing the management of the company, individual shares and privileges, as well as the protection of shareholders.
- A shareholders' agreement aims to ensure a fair and stable internal structure in a company and to protect the rights and interests of its shareholders.

Current legal situation

General rights of all shareholders for taking control of the management

All shareholders in Lithuania have the right to file a claim with the court for reparation for damages resulting from nonfeasance or malfeasance on the part of a company manager and Board members in respect to the obligations prescribed to them by the Lithuanian Law on Companies, other laws and the Articles of Association of the company.

If the decisions of the bodies (e.g. managing director or the managing board) of a legal person are in judicial proceedings declared void - in that they are deemed to have contravened the imperative provisions of the law, the Articles of Association, or principles of reasonableness and good faith - actions to render the decisions of the company organs invalid may be brought by the shareholders. Such actions must, however, be commenced within 30 days from the day that the shareholder is informed of, or should have been informed of, the contested decision.

Threshold for exercising further rights

Shareholders who hold or manage shares, the par value of which accounts for no less than 1/10 of the authorised capital, enjoy the right to apply for investigations into the activities of a company.

These shareholders have the right to request that the court appoint experts to investigate whether a legal person, legal person's managing bodies, or members, acted in a proper manner. In the event that it is established that

improper actions have indeed taken place, measures may be applied to:

- revoke the decisions taken by the legal person's managing bodies;
- suspend temporarily the powers of the members of a legal person's managing bodies or exclude a person from a legal person's managing body;
- appoint provisional members of a legal person's managing bodies;
- authorise non-implementation of certain provisions of incorporation documents;
- oblige the drafting of amendments to certain provisions of incorporation documents;
- transfer the legal person's right to vote to other persons;
- oblige a legal person to take or not take certain actions;
- liquidate a legal person and appoint a liquidator.

Practical example: Increase and decrease of share capital

Usually, in practice, a company's capital is increased to improve the competitiveness of the company in the market - a company with a large stock of capital is much more attractive to creditors and contractors than a company with a minimum of common equity.

Unfortunately, in some cases major shareholders instigate capital increase with the sole intention of excluding minority shareholders from the company's management. As the rights of a legal person to participate in a company's management are directly dependent on their percentage share of all shares, capital increase has the effect of reducing such rights as the share of "small" shareholders decreases following an increase in share capital and the redemption of increased share capital.

Share capital can be increased by the decision of the General Meeting. The approval of holders of non-voting preference shares is necessary for the adoption of a decision to increase share capital through additional contributions via the issuance of preference shares.

The General Meeting takes the decision to reduce or increase share capital via a qualified majority vote that requires not less than 2/3 of all the votes conferred by the shares held by the shareholders attending the Meeting. The Articles of Association of the company may provide for a larger qualified majority than 2/3 of the votes required.

Overview of the draft law

The proposed amendments provide minority shareholders who hold at least one share in an AB or UAB a far greater scope of rights. Enactment of this law will no doubt be the cause of much rejoicing amongst small investors, and enrage larger shareholders, inevitably leading to legal disputes in a number of cases.

All shareholders, even those in possession of 1 share, will be given the right to request and gain information concerning the company as well as all its documents.

If a shareholder holds no less than 10 per cent of shares, they will have the right to hire experts to evaluate projects passed at the general meeting.

Furthermore, all transactions with associated parties will need to be confirmed and approved by the supervisory board or by the general shareholders meeting.

The proposed amendments will provide minority shareholders greater scope to exercise influence over a company's decisions and to control its management, as well as provide them with the right to review the decisions of the company's organs.

On the other hand, the proposed amendments will also strengthen the position of majority shareholders in some fields. For example, if a shareholder retains a 95 per cent hold of the shares in a company, it could then require the minority of shareholders to sell their shares. Moreover, such an increase in share capital may also force minority shareholders to purchase additional shares so that they can maintain proportionate representation in the company.

Conclusion

Via these changes, the government hopes to secure a fairer balance between the strengthening of the rights of minority shareholders on the one hand, whilst protecting majority shareholders from abuse from minority investors on the other - at the same time, however, the regulations could, without suitable countermeasures (rate adjustments, shareholder 'agreements, etc.), lead to a dramatic shift in the power gap between majority and minority shareholders..

When and how these changes will come into force is difficult to predict given the tight schedule of the Parliament's spring session schedule. What is beyond doubt though, is that should these changes be discussed, they will be the cause of much heated debate.

Advice:

- Regardless of whether the proposals of the Ministry of Justice are to become a law in this form, companies should continually review their articles of association and, if necessary, adapt them to the current general legal situation and the individual economic situation of their company.
- Depending on the desired internal structure of the company, the conclusion of a shareholders' agreement is also an option.
- Rödl & Partner specializes in the regulatory framework of investment and company law and offers a full support package to investors, including counseling investors before investments are made and protection of investors' rights in case of disputes.

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> Focus: Insolvency law in the Baltic States – Efficient crisis management as "life jacket"

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In brief:

- Over the past few years, insolvency law in the Baltics has been subject to various changes.
- Insolvency law in the Baltic States often leads to a lose-lose situation with insufficient satisfaction of the insolvency creditors and a liquidation of the companies insolvent.
- Effective crisis management at an early stage can prevent insolvency and lead to a satisfactory solution for the creditors and the company concerned in many cases.
- Companies should therefore regularly review their financial situations.

Since the Baltic States accession to the European Union on 1 May 2004, European Insolvency Regulation (EC) 1346/2000 has been directly applicable in Estonia, Latvia, and Lithuania. However, European Regulation merely determines which member states' courts have jurisdiction. European harmonization in the field of insolvency has thus far not been exntensively developed and there are considerable legal differences at the national level.

Furthermore, several amendments have been adopted in all three Baltic States during the past few years to increase the efficiency of insolvency proceedings.

The intention of the following article is to provide an overview of the differences and similarities between the legal systems of the Baltic States and to show the risks involved – for insolvent companies, their managing directors, and their creditors.

Types of insolvency proceedings

In Estonia, insolvency only applies to situations in which a debtor's permanent inability to satisfy the claims of its creditors has been declared by a court ruling. The duty to file for insolvency applies to

- Incorporated companies
- Partnerships

In Latvia, insolvency only applies to such proceedings as liquidation, whereas restructuring proceedings and out-of-court restructuring proceedings are not identified as insolvency proceedings, but termed restructuring. Information

concerning restructuring and insolvency proceedings can be found on the insolvency register website.

The duty to file for insolvency applies to

> Incorporated companies
> Partnerships and
> Sole traders

In Lithuania, insolvency proceedings can be executed in a judicial (formal) or a non-judicial (non-formal) way, and in some cases simplified insolvency proceedings can be commenced. Restructuring proceedings are also available. In principle, all company forms, ranging from incorporated companies, to partnerships and natural persons, are subject to the obligation to file for insolvency. Exceptions apply to authorities, trade unions, political parties and religious associations that are financed by the state budget.

Insolvency applicant

In Estonia, the insolvent debtor (i.e. the insolvent entity) has to file for insolvency. The management board of a company is also obliged to file for insolvency within 20 days of the company becoming insolvent.

If the insolvency petition is filed by the debtor, insolvency is presumed, and the court will usually declare it. In the case of an insolvency application submitted by a creditor, the creditor must provide reasons for insolvency and provide evidence for their claim.

Restructuring proceedings are then initiated by a court ruling provided that an application for restructuring has been submitted by the debtor.

In accordance with Latvian law, corporate insolvency proceedings can be initiated by the debtor, a creditor (or a group of creditors), an insolvency administrator in restructuring, and a liquidator in the main insolvency procedure (to initiate a secondary insolvency procedure).

According to Lithuanian law, a judicial insolvency application can be filed with the court by

> a creditor/creditors
> an owner/owners
> the head of the company's administration.

When insolvency is commenced in a non-judicial fashion, the court has no legal powers to revise the creditors' decisions and they have ultimate control over insolvency proceedings. Non-judicial insolvency proceedings are commenced following the decision of a qualified majority (3/4) of creditors.

Simplified insolvency proceedings are initiated by the court in such cases as when the debtor is not in possession of sufficient assets to cover the costs of insolvency proceedings. Proceedings cannot last longer than one year from the date when an order to institute simplified proceedings has come into force.

Restructuring proceedings are aimed at allowing companies with financial difficulties which have not yet discontinued their economic and commercial activities to maintain and develop these activities, settle their debts and avoid insolvency. Only the debtor and his shareholders may file for restructuring.

Existence of an insolvency situation

The law in the Baltic States provides different definitions of the point in time (the so called insolvency situation), in which an insolvency application must be filed. Insolvency in Estonia, Latvia and Lithuania exists if the following criteria are met.

Estonia	Latvia	Lithuania
> a joint stock company has failed to pay its debt to the total amount of more than 12,500 Euros > a limited liability company, limited partnership or a general partnership has failed to pay its debt to a total amount of more than 2,500 Euros > a natural person or a legal person (one that is not mentioned previously) has failed to pay its debt to the total amount of more than 1,000 Euros > the enforcement of a writ of execution was not successful in	> the enforcement of a court order is impossible due to a lack of funds > a joint stock company or a limited liability company has failed to pay its debts to a total amount exceeding 4,268 Euros > a foreign enterprise, partnership or sole trader has failed to pay its debts to a total amount exceeding 2,134 Euros > an enterprise is incapable of paying wages (or other payments regarding their employment) to its employees > the debtor has not settled due	> delayed payment of wages and the delayed settlement of obligations arising from employment relationships > delayed payment for goods or services or generally the non-fulfilment of claims > non-payment of taxes > failure to collect debts due to a lack of funds > the court shall initiate the proceedings if at least one of the aforementioned conditions is met > at least 30 calendar days before the insolvency application is filed,

the previous year

- Insolvency is assumed, for example, if the debtor is in default of payment of an obligation for a period of over 30 days, and despite the threat of insolvency, the debtor has failed to pay the obligation within 10 days

debts for a period in excess of two months.

- The court terminates the legal protection proceess and announces the insolvency process of a legal person under certain conditions

the debtor must be informed in writing by registered letter (in this way the debtor is given the opportunity to meet the claims within this period and to avoid the opening of the insolvency proceedings)

The insolvency administrator

In Estonia, only licensed members of the Chamber of Bailiffs and Insolvency Practitioners may fulfil the duties of insolvency practitioners in insolvency proceedings.

Latvian insolvency law was amended in 2016 with the aim of improving the professional requirements of insolvency administrators, as well as increasing transparency as regards the examinations and professional qualification required for insolvency administrators. Some of the amendments will be implemented gradually pursuant to the transitional regulations of Latvian Insolvency Law.

Insolvency administrators are a regulated profession in Latvia. Previously, insolvency administrators were licensed by the Association of Certified Insolvency Administrators. In accordance with the new regulation, insolvency administrators are no longer to be certified but will instead be appointed to a list. Following appointment to office, administrators will then bi-annually be required to pass qualification exams. The examination of administrators is to commence from 1 June 2017.

Pursuant to transitional regulations, administrators to whom certificates were issued in accordance with the previous regulations will still be entitled to carry out the tasks of administrators.

Likewise, insolvency administration in Lithuania is also a regulated profession. In order to obtain an insolvency administrator's license, certain requirements have to be fulfilled (i.e. requisite education, a qualification exam, professional indemnity insurance, good reputation, etc.). Since 1 January 2015, insolvency administrators have been selected for insolvency proceedings on a random basis via a computer program which takes into account the size and activities of the debtor, as well as the work experience and track record of the insolvency practitioner etc.

Challengeability of transactions

In Estonia, the insolvency administrator may sue the parties involved in a given transaction who intentionally injured the debtor, for damages.

Transactions are contestable if they have caused injury to creditors, and were:

- performed within one year prior to the appointment of the provisional insolvency administrator if the other party was aware or should have been aware that the transaction prejudiced the interests of the creditors;
- performed within one year before the appointment of the provisional insolvency administrator if the debtor knew that he was causing harm to the interests of the creditors and the other party was aware or should have been aware of this;
- performed within five years before the appointment of the provisional insolvency administrator if the debtor knew that he caused harm to the interests of the creditors and the other party was a party related to the debtor and that party was aware or should have been aware that the transaction prejudiced the interest of the creditors.

In Latvia, the administrator is obligated to contest in court the validity of any contract which has been concluded:

- within a period of four months before or after the declaration of insolvency proceedings if it has caused the debtor damages;
- three years before the declaration of insolvency proceedings if the other contract party was aware or should have been aware of the contract causing damages to the debtor;

Such administrative proceedings will also consider the following:

- transactions without compensation performed after or three years before the declaration of insolvency proceedings;
- pledge agreements concluded after the registration of insolvency proceedings with the parties of interest or in favor of such party.

In Lithuania, the insolvency administrator must inspect all legal transactions performed within at least 3 years prior to insolvency. They will contest transactions that are contrary to the objectives of the business activity and which contributed to insolvency. If the court establishes that the insolvency is fraudulent, the insolvency practitioner must review all transactions concluded within 5 years prior to the initiation of insolvency proceedings

Liability of the managing director

In all three Baltic states managing directors or board members are liable for certain actions or non-actions in and before an insolvency proceeding.

Following declaration of insolvency, Management board members in Estonia must solidarily compensate the company for any payments which were not made with due diligence.

The board members of a debtor in Latvia are solidarily liable to the debtor if the debtor's bookkeeping documents are not transferred to an insolvency process administrator in a timely fashion, or if they are in such condition that they do not provide a clear view of the transactions of the debtor and the status of its assets during the last three years before declaration of insolvency proceedings.

If a managing director in Lithuania fails to fulfil their obligation to file for insolvency in a timely manner, they must compensate the creditors for all damage arising from the delay.

Moreover, all three states provide administrative sanctions in cases where insolvency is proven to have arisen through deliberate intent. The sanctions that may be imposed in such circumstances include imprisonment, fines, or the deprival of the right to perform certain or all types of commercial activities for a certain time.

Conclusion

During the last few years a number of amendments have been made across all three Baltic States. Most of these amendments have been aimed at tackling the problem of low public trust and opinion as concerns transparency in insolvency proceedings. Meanwhile, the issues of the ineffectiveness and lack of transparency in such proceedings have likewise been the cause of much concern among organisations representing the interests of foreign investors.

Creditors, especially banks, are concerned that the interests of legitimate creditors have been systematically violated by specific insolvency administrators. It is these concerns that have underpinned the recent amendments made to the regulation of the professional activities of insolvency administrators–amendments specifically aimed at increasing the role of state institutions and strengthening their authority as controlling institutions.

Lithuania has to be highlighted here: since 2015 it has had a computerized program in place which randomly selects insolvency administrators for insolvency proceedings based on objective case by case criteria alone.

But the biggest issue remains the low rate of return on creditor's assets. It is, therefore, all the more important that appropriate measures are taken to prevent an insolvency situation.

Extreme financial difficulty - the stage that precedes the occurrence of a state of insolvency - may be foreseen and mitigated via accurate financial forecasting. Through the evaluation of audit reports, and by heeding the warnings of banks or state institutions, many perilous situations may be avoided.

In most cases, undetected risks pose the greatest threat. Auditors, internal or external, and a regular reporting may be useful in the prevention of an insolvency situation, as they may be able to trigger alarms through the close scrutiny of final statements and allows remedial action to be adopted.

But even if risks are recognized at a later stage, not all hope is lost. The keyword is: Crisis management. There are several ways to apply crisis management solutions: reorganisation through a merger or division or negotiation with creditors, are only some of the solutions available.

This kind of protection is important for both company management and investors or creditors.

Rödl & Partner, as an expert in cross-border insolvency issues, can help you to identify risks at an early stage and to respond in a timely manner to all manner of pressing issues.

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> News in Brief

Estonia

Special arrangement for imposing value added tax on metal products – domestic reverse charge

As of January 1st 2017 a new special arrangement for imposing value added tax on metal products has come into force (domestic reverse charge). If a taxable person transfers goods (metal products) to another taxable person, the buyer of the goods must now pay the sales price exclusive of value added tax to the transferor.

Instead of the transferor, the buyer of goods must now deduct and pay the amount of value added tax that is mentioned on the transaction invoice issued.

These special arrangements apply for the supply of metal products with CN-codes 7208-7220 (except welding wire and welding rods) 7222, 7225, 7226, 7228 (except welding rods), 73011000, 730300–7306, 73081000, 73082000, 73121061, 73121069, 731420 and 73143900, which are specified in the Commission Implementing Regulation (EU) 2015/1754 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff (OJ L 285, 30.10.2015, pp. 1–926).

As the domestic reverse charge procedure can only be applied to transactions between two Estonian taxable persons, the transferor must ensure that the buyers reported VAT number is valid and that the reverse charge system can actually be implemented. Invoices issued for this form of transaction must carry the reference "reverse charge".

However, if the buyer is a private person, a non-taxable person, or for example, the invoice is issued in a retail store and the invoice does not contain the buyer's name and VAT number – the usual rules for VAT will apply.

Latvia

New Startup Law

The Latvian parliament has just approved a new Startup Law, accompanied by a rather innovative and unique tax regime for startups.
The law foresees that a qualifying startup can choose one of two tax support plans for each employee:

- a special flat tax regime that is currently 252 Euros per month per employee, irrespective of salary paid, although employees have also to make monthly contributions to the amount of at least 10 per cent of their gross salary into a state or private pension fund (in the event that an employee's monthly salary exceeds 4,050 Euros, an additional solidarity tax is to be applied to the amount in excess); or
- a support program to attract highly qualified employees.
- Additionally, tax reliefs can be granted in cases where the startup applies to one or both of the aforementioned support plans:
- 100 per cent corporate income tax relief can be used. This relief cannot be applied on expenses that are unrelated to the commercial activity of the startup, fines, lost debts etc.
- personal income tax does not have to be paid by an employee of the startup.

A startup must meet some basic criteria to gain access to one of the tax plans. The startup should be less than 5 years old, have earned less than 200,000 Euros in revenue during its first two years of operations, and less than 5

million Euros during the five years since its establishment. Additionally, it should not be paying dividends, and have produced an innovative product or service. Also, a startup will have to provide proof that a qualified venture capital investor has invested at least 30,000 Euros for the realization of its business plan. The amount of received tax support cannot exceed *de minimis* amount – 200,000 Euros in 3 years.

The support period is valid for 12 months, after which, to qualify for further support, the startup will then need to meet the criteria again.

A Startup Commission is to be established and run by the Latvian Investment and Development Agency. This Commission will administrate tax support programs which will be established by the Latvian Investment and Development Agency. The Commission will be responsible for the process of applying for the programs, and operate a public database which includes all qualified investors and startups.

The law entered into force from 1 January 2017. The government hopes that this law will do much to facilitate the establishment of new startups and lead to the creation of new jobs.

New Public Procurement Law

On 1 March 2017, the new Public Procurement Law will enter into force. This law will be in line with the new requirements of the European Union regarding public tenders, including those that are specified in Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC.

Numerous changes regarding public tenders have been introduced. The threshold for application of the Law has been raised: it will now be 10,000 Euros for service or supply contracts, and 20,000 Euros for construction works contracts (instead of 4,000 Euros and 14,000 Euros).

Design competitions have been excluded from the categories of public procurement procedures (they can be used in specific circumstances), while a competitive procedure with negotiations and an innovation partnership procedure have been added. In the event that a bidder wishes to challenge a decision to award a contract, he will be required to make a deposit payment to the amount of 0.5 per cent of the public procurement contract price.

However, the sum of this deposit shall not exceed 840 Euros in the case of a service or supply contract and EUR 15 000 in the case of a construction works contract. There are specific sums laid down in the Law for such eventualities as when a public procurement contract price cannot be determined.

The Law also foresees the gradual transition to an electronic tendering process, stricter control of subcontractors, longer validity terms for certificates issued abroad, as well as changes in the operation of procurement commissions, amongst other changes.

Changes in the system of mandatory social contributions

In the previous issue of the Newsletter, we informed our readers of the intended introduction of minimum mandatory social security contributions. The situation has now changed.

The Latvian Parliament has repealed employer minimum mandatory social insurance contributions based on the statutory minimum wage. Under the changes that were due to come into force at the beginning of 2017, the minimum mandatory social security contributions for an employee were to be calculated from the statutory minimum wage. Thus, the taxable amount would be the statutory minimum wage instead of the actual amount paid. This change would have resulted in additional costs for those employers who employ low-skilled workers on a part-time basis, as well as micro-enterprise taxpayers.

Following heated debates in parliament and the recommendations of stakeholders, this change was reversed on 20 December 2016. These amendments also eliminated those provisions that were intended to limit the availability of the micro-enterprise tax regime to certain industries. As Parliament has tasked the Cabinet of Ministers to draft a new bill concerning the tax regime for small entities before 1 June 2017, it is most likely that the existing provisions will still experience some change. Therefore, small companies are best advised to expect that some amendments to the current set up will appear on the horizon.

To obtain additional funding for the social budget, micro-enterprise tax has been increased. As of 1 January, 2017, the tax rate is 15 per cent, instead of 9 per cent.

Main contractors shall make social security contributions for subcontractors' employees

Pursuant to the new amendments to the Law "On Taxes and Fees", the main contractor of a construction work is now obligated to make social contributions on behalf of its subcontractors 'employees if that construction work contract has been awarded via a public tender.

The main contractor will now be obligated to contribute into the state budget for every employee of a subcontractor that is employed on a construction site. These provisions are not applicable to the designers and design supervisors of a building project.

Lithuania

Postponement and amendments to the new Labour Code

The effective date of the new Labour Code has been postponed until 1 July 2017 with aim of ensuring a higher level of protection of employees' rights. To ensure that the new Labour Code better meets the expectations of both employers and employees, discussions regarding further amendments to the Code are expected to be held in the Lithuanian parliament within the coming weeks. Specific amendments to the Code can be expected thereafter.

The list of free economic zone activities has been extended

As from 1 January 2017, amendments to the Law on Free Economic Zones and Corporate Profit Tax Law have come into force, on whose basis more companies (including service centers) will be entitled to make use of the benefits of free economic zones.

These amendments will allow companies whose average number of employees within the tax year concerned is no less than 20, and which have capital investments of at least 100,000 Euros, to be exempted from corporate profit tax for a term of 6 years. Moreover, they will now be eligible to a corporate profit tax rate reduction of 50 per cent for the subsequent 10 years.

Such benefits can be applied to the company only if no less than 75 per cent of the income generated during the tax year concerned is received from accounting, bookkeeping or consulting services (with exception of audit, invoice examination and veracity verification).

> Internal

Lithuania

Rödl & Partner Vilnius became a member of the Lithuanian Business Confederation (LBC)

The Lithuanian Business Confederation is the largest Lithuanian business organization uniting service, trading and high-tech companies. It is a national committee of the International Chamber of Commerce (ICC) in Lithuania.

Main operational objectives of the LBC are implemented through policy commissions composed of business representatives, professionals and experts. Commissions examine major issues of interest to the business world, analyse laws and regulations that affect different areas of business, provide comments and statements to the government and other national or international organizations, assist in organizing conferences and seminars.

As a member of the LBC, Rödl & Partner Vilnius will not only be able to obtain current and up-to-date information on current legislative procedures, but also to have a positive impact on legislation in the interests of our clients.

Advancing together

„In close collaboration with our clients we develop value-creating ideas that we implement together."

Rödl & Partner

„In connecting and striving for common thinking we regard unity as the clearest form of expression. It is an essential component of our ongoing repertoire."

Castellers de Barcelona

"Each and every person counts" – to the Castellers and to us.

Human towers symbolise in a unique way the Rödl & Partner corporate culture. They personify our philosophy of solidarity, balance, courage and team spirit. They stand for the growth that is based on own resources, the growth which has made Rödl & Partner the company we are today.

„Força, Equilibri, Valor i Seny" (strength, equilibrium, valour and common sense) is the Catalan motto of all Castellers, describing their fundamental values very accurately. It is to our liking and also reflects our mentality. Therefore Rödl & Partner embarked on a collaborative journey with the representatives of this long-standing tradition of human towers – Castellers de Barcelona – in May 2011. The association from Barcelona stands, among many other things, for this intangible cultural heritage."

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