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Baltic Newsletter

Law and Taxes in Estonia, Latvia and Lithuania

Issue: November 2016

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News in brief

Internal

Dear Readers,

2016 is coming to an end, and the Baltic States are clos-ing with a positive annual balance. What is more, all the signals point towards continued growth, despite a somewhat uncertain political landscape.

It is this growth which has emboldened the region's optimism and led to a start-up boom. It is certainly worth mentioning that Estonia and Lithuania's have developed a reputation as a "European start-up hub".

In addition to these new start-ups, the acquisition of pre-existing companies is increasingly becoming a focus for investors.

According to the "Baltic M&A Deal Points Study 2016", which was commissioned by the Equity and Venture Capital Associations of the three countries, over 168 M&A transactions with a volume of more than 1 million Euro each were carried out in the Baltic States between July 2013 and December 2015.

This study provides indisputable proof that companies and investors are convinced that M&A transactions in the Baltics are a worthwhile investment.

It is with this in mind that we turn the focus of November's edition of our Baltic newsletter to issues central to M&A transactions in the Baltic States. Namely, the opportunities and risks associated with this endeavor.

In addition, we will be providing in depth coverage of the new Lithuanian Labour Code, due to come into force on January 1, 2017, which has been the subject of much debate and controversy.

I hope that you will find the following valuable reading,

Jens-Christian Pastille, LL.M.
Managing Partner
Baltic & Nordic States

> Targeting: The new Labour Code in Lithuania – the most important changes for 2017 at a glance

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

In brief:

- As already mentioned in the August issue of our Baltic Newsletter the new Labour Code will enter into force in Lithuania on 1 January 2017.
- In contrast to the current legal framework, the Code provides more flexible rules on working relationships.
- The aim of the changes is to stimulate the labour market and to create new opportunities for the social partnership between employers and employees.
- **Please note: all of the following information was accurate as of publication on October 31, 2016. This legislation may be subject to subsequent amendment or alteration**.

New types of labour contracts

In addition to pre-existing labour contracts (e.g. temporary labour contracts and contracts for long-distance or additional work), the new Labour Code will introduce 5 new types of labour contracts:

1. Project work
2. Work for several employers
3. Workspace division
4. Training contracts
5. Zero-hour labour contracts

This expanded range of labour contracts has been designed to provide employers with more opportunities to adapt labour contracts and working conditions to the specific conditions of each respective employment relationship.

1 Labour contract for project work

A labour contract for project work is a special type of temporary contract by which an employee is employed to implement a specific project. The contract is concluded upon the achievement of the previously agreed result.

The parties may agree on a fixed salary or set remuneration depending on the successful execution of the project - or both. The maximum permissible duration of a labour contract for project work is 2 or 5 years, depending on whether the contract is concluded with a new employee or with an employee already employed in the company.

2 Labour contract with several employers

This type of labour contract allows for the employee to be employed by 2 or more employers at the same time, with all parties being included within the same employment contract. This type of contract provides benefits in such instances when an employee simultaneously fulfills certain functions (e.g. finance, accounting, human resources) across several companies within a group.

The employment contract must specify the primary employer whose obligation it will be to determine the employee's time schedule, remuneration, payroll taxes deductions, and compliance with all other obligations of the employer on behalf of all of the employer's contracting parties. The other employers must then reimburse the primary employer for all costs incurred on their behalf for said employment.

All employers are jointly and severally liable to the employee, which means that the employee can issue a claim against one or more employers in the event that they do not receive their salary on time.

3 Workspace division

With this type of contract, 2 employees can agree with an employer to divide the work to be provided. By agreement with the employer, both employees are therefore free to distribute tasks and working hours freely among themselves. This kind of labour contract can prove advantageous in such instances where several employees wish to reduce their working hours for the purpose of achieving a better work-life balance.

When the employment of one worker ends, the Labour Code offers special flexible conditions for the termination of this contract. In this case, the remaining employee remains employed for a further month. If no new working partner is found during this period, the contract of the remaining worker may be terminated with a notice period of 3 working days and the payment of compensation equal to half the employee's average monthly salary. This simplified termination is inadmissible in such cases where one worker is the parent of at least one child below 7 years of age, in which case the employee has the right to remain as a part-time employee.

4 Training contract

This contract may be concluded if the employee is recruited for the purpose of acquiring the qualifications required for a particular profession. The maximum term of such a contract is 6 months (with several exceptions). Other conditions relating to the conclusion of the contract and its termination, reimbursement of training costs etc. depend on whether the training contract is concluded independently, or in connection with a trainee program.

5 Zero-hour labour contracts

A zero-hour labour contract is a contract whereby an employer and an employee agree that an employee will provides its labour to the employer and receive compensation for it. What distinguishes such contracts is that they prescribe only a bare minimum of hours that an employer is obliged to pay its employees per month- in the case of the new Labour Code 8 hours per month – and employees must receive compensation for these hours, irrespective of whether their actual working hours are less. The essence of such contracts is that an employer, outside this minimum restriction, is only obliged to pay its employees when there is work, and only for that work which has been done. This type of contract is especially suited to those industries that experience peaks and troughs in respect to their output and production, as it allows them to budget accordingly and with relative precision.

This contract type, however, has been the source of much contentious debate and the likelihood is that, should it survive through enactment, it will be subject to a number of changes.

New regulations on fixed-term labour contracts

The Labour Code contains a number of changes in the context of fixed-term contracts. Firstly, employers are enabled to conclude fixed-term contracts for permanent jobs also. The employment code stipulates a maximum term of 2 years for a fixed-term contract. After 2 years, the contract becomes permanent (with a number of exceptions, the maximum term is 5 years).

The new Labour Code also includes a provision that states that employees should be given a period of notice following termination of a temporary labour contract, as well as compensation. In companies where fixed-term labour contracts are concluded for jobs of a permanent nature, such contracts can only account for, at most, 20% of all contracts issued within that company.

If fixed-term contracts are terminated at the end of their term, employers must meet the following notice periods:

Working days	Requirements
5	the duration of employment is more than 1 and not more than 3 years
10	an employment period of more than 3 years

In the case of a fixed-term contract and a term of more than 2 years, employees are entitled to receive compensation that is equal to an average monthly salary.

Working time

The new Labour Code also covers the changes that are to be made to working time. Although the average will remain 40 hours per week, maximum allowable weekly working time will be increased to 60 hours. In addition, the new Labour Code contains provisions for new additional types of working time arrangements and specifies specific rules for on-demand work.

Billing of working time

Overtime will be calculated for a certain, previously agreed period and is to be compensated via this (working time account). This period may not exceed 3 months.

Maximum working time

The new Labour Code sets forth the following limits for weekly working hours:

- Maximum working time (including overtime and additional work): 12 hours per day and 60 hours per week
- Maximum average weekly working time (including overtime, but without additional work): 48 hours
- The maximum number of working days allowed is 6 days per week.

This significantly increases the maximum hours of the working week - from 48 to 60 hours. In addition, the introduction of "average weekly working time" will result in greater flexibility - the duration of a particular working week may exceed 48 hours as long as that working time is offset during the remaining accounting period.

On-demand work

The new Labour Code also includes new working time arrangements and remuneration for employees working on demand:

- Only the period during which an employee actually works is to be counted as working time.
- The maximum duration of uninterrupted on demand work will be 1 week for a period of 4 consecutive weeks.
- Work on demand should be expressly agreed within the labour contract.
- In addition to their salary for this period, an employee working on demand will be entitled to an additional remuneration of 20% of his average remuneration for the corresponding week.

Overtime

Compared to the current legislation, the new Labour Code considerably increases the amount of overtime permitted. Up until now, the maximum limit permissable has been 4 overtime hours over 2 consecutive days. The new maximum limit for overtime will now increase to 8 hours per week - or with the consent of the employee, 12 hours per week. In addition, the annual overtime hourly limit will be raised from 120 to 180 hours.

Annual leave

According to the new Labour Code, minimum annual leave is to be calculated on the basis of workdays instead of calendar days. Minimum annual leave days are to be changed from 28 calendar days to 20 working days (24 working days, if the employee works a 6 day week).

Liability of employees

The new Labour Code raises the limits of possible employee liability, but removes the current option of concluding an agreement via the route of invoking full employee liability. It will now only be possible to apply unlimited liability within a narrow range of limits (e.g. for damage caused by an employee under the influence of alcohol or drugs).

The maximum permissible liability of the employee will remain as before, i.e. 3 average monthly wages. In such cases where damages are caused via acts of gross negligence on the part of the employee, this liability is to be limited to 6 average monthly wages. Collective agreements may set a higher liability limit, in which case a statutory maximum limit of 12 average monthly wages will apply.

Termination of Employment

Some of the most controversial changes being made to Labour Code occur in the field of termination of employment. Statutory periods of notice and severance payments are to be significantly reduced.

Notice periods

The new Labour Code reduces the current applicable notice periods (2 or 4 months depending on the circumstances of the employee). The following new termination periods apply:

Duration of notice period	Requirements
1 month	standard notice period
2 weeks	the period of employment is less than 1 year
Doubling of the notice period	> for employees under 14 years of age > employees whose remaining working time is less than 5 years before retirement age
Tripling of the notice period	> disabled employees > employees whose remaining working time is less than 2 years before their retirement age

Compensation obligations

At present, statutory compensation for employees is 1 - 6 average monthly wages, depending on the duration of employment in the company. The new Labour Code provides for significantly lower compensation payments:

Compensation amount in average monthly wages	Requirements
2	General rule
1/2	If the duration of employment is less than 1 year.

If the period of employment is 5 years or longer, the employee is entitled to - in addition to the compensation to be paid by the employer - further compensation paid by a state fund established for this purpose.

Compensation amount in average monthly wages	Requirements
1	the period of employment is 5 - 10 years
2	the period of employment is 10 - 20 years
3	the period of employment is 20 or more years

Termination by the employer without any substantial reason

The new Labour Code permits employers to dismiss employees as they see fit, without having the obligation to first provide substantial grounds for such dismissal. In such cases, employees are, however, entitled to a higher level of compensation.

Employers will be entitled to dismiss employees at the end of a notice period of 3 working days providing they have first provided a compensation payment that is equal to 6 average monthly wages. The reason for such dismissal is not relevant, but the dismissal of employees for reasons of discrimination will still be strictly prohibited. Pregnant women or employees on maternity, paternity or child care leave may not be dismissed in this way.

Post-contractual restraint

The new Labour Code contains, for the first time in Lithuanian labour law, provisions that set forth non-competition obligations for ex-employees following termination of employment. Such obligations have hitherto been defined solely on the basis of case-law.

Employees and employers will have the option of entering into an agreement which stipulates that the employee undertakes not to enter into competition with the former employer for a certain period following termination of their employment relationship. These agreements may only be concluded with employees who have specific skills and knowledge that are to be applied in a competing company, and could thus cause economic harm to a former employer.

The maximum duration of a post-contractual competition restraint order is 2 years from the termination of the employment relationship. For the duration of this non-competition clause, the employee is entitled to compensation of at least 40% of his average monthly salary (calculated at the time of termination). The parties may agree a penalty in the event that the employee violates the non-compete principle. However, this penalty may not exceed the sum of 3 months' worth of agreed non-competition indemnities.

Collective labour law

Companies with 20 or more employees are required to establish a works council. Until now work councils have been established only upon the initiative of employees. The new Labour Code now also more closely limits the scope of actions performed by work councils and trade unions.

Companies that are obliged to establish a works council must do so within 6 months of the Labour Code coming into force, i.e. before 30 June 2017. In smaller companies, employees can alternatively be represented by an elected employee representative.

The new system of employee representation redistributes tasks between works councils and trade unions. The main task of the work council is to inform and consult employees (e.g. before the employer makes important decisions regarding employees). Unions, meanwhile, retain exclusive right to represent employees in the collective bargaining process.

Advices:

- All existing labour contracts and internal guidelines should be reviewed and adapted in accordance with the provisions of the new Labour Code.
- Adjustments to payroll accounting systems should be made in compliance with the new regulations (e.g. annual leave, overtime).
- Employees responsible for human ressources should be trained on the upcoming changes and how they will impact the human ressources management of your company.
- Rödl & Partner is happy to assist you with the review and implementation of the regulations of the new Labour Code in your company.

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> Focus: M&A transactions in the Baltic countries – Opportunities and "Fall Cords"

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In brief:

- The Baltic States are increasingly becoming the target of foreign investors - the amount of venture capital is rising.
- M&A transactions involve large volumes, which is why risks should be discussed and excluded in advance.
- Despite increasing harmonization within the European Union, there are significant differences between the individual countries in terms of M&A.

The Baltic States have become an attractive target for new investors, not least because of their investment-friendly tax systems. In the past, foreign investment has been, in the main, composed of strategic investments from Nordic countries that were aimed at the "Baltic Tigers". Today, risk capital funds are also active (also due to the high density of start-ups). At the same time, investors are increasingly coming from other European countries such as Germany or Poland.

Mergers and acquisitions (M&A) are transactions in which the ownership of companies, other business organizations or their operating units are transferred or combined. M&A transactions involve large volumes and high risks. It is, therefore, imperative that any company wishing to undertake such activity should take into account not only current market developments, but also the strict legal conditions that govern such actions.

Since the accession of the Baltic States to the European Union, the European legal framework for M&A transactions has found itself incorporated into the legislation of the respective national jurisdictions.

However, as with all processes of harmonization, the devil is in the details: country-specific features, such as Estonia's tax system or strict employee protection rights, are topics that can play an important role during transactions.

The following article is therefore intended to provide an overview of important terms related to M&A transactions and a limited selection of "fall cords".

Types of M&A transactions

Types of transactions	Characteristics
Share Deal	Shares in a company are acquired.
Asset Deal	The assets of a company are acquired.
Merger	A company is merged into an existing or newly founded company.
Demerger	A company is divided into two or more companies, whereby the individual parts of the company are split off and stand as separate independent entities.

Share Deal

In principle, a share deal can be represented in a sales and purchase agreement for a shareholding in a company.

In Latvia and Lithuania, share deals are not subject to any specific form. In Estonia, shares which are not registered in the Central Securities Register can only be transferred through a notarized agreement.

Advantages and disadvantages of the share deal

While it is true that matters of tax play a prominent role in decisions regarding whether or not a share deal should be chosen, the following advantages and disadvantages also carry significant bearing:

Advantages	Disadvantages
> Relatively simple acquisition of the purchase item > Shorter implementation of a share deal > All contracts with third parties remain unaffected (exception: change-of-control clauses) > Entire company is sold > The seller does not reside with any cooperative company	> Transfer of all (also unknown) liabilities > Binding topreviousorgandecisions > It may be mandatory for national or European antitrust authorities to approve the transaction if the acquisition constitutes a concentration > If the acquirer acquires a certain package of shares, he is subject to the associated notification obligations or obligations

Asset Deal

An asset deal is a subspecies of company purchase in which a company's assets such as land, buildings, machines, patents etc. are transferred. This means that every economic asset and liability must be transferred individually to the buyer with the consent of the respective contracting party.

In all three countries the transfer of assets is generally possible via a simple written form. Only in specific cases isa particular form prescribed (e.g. notarial authentication), e.g. for the transfer of real estate.

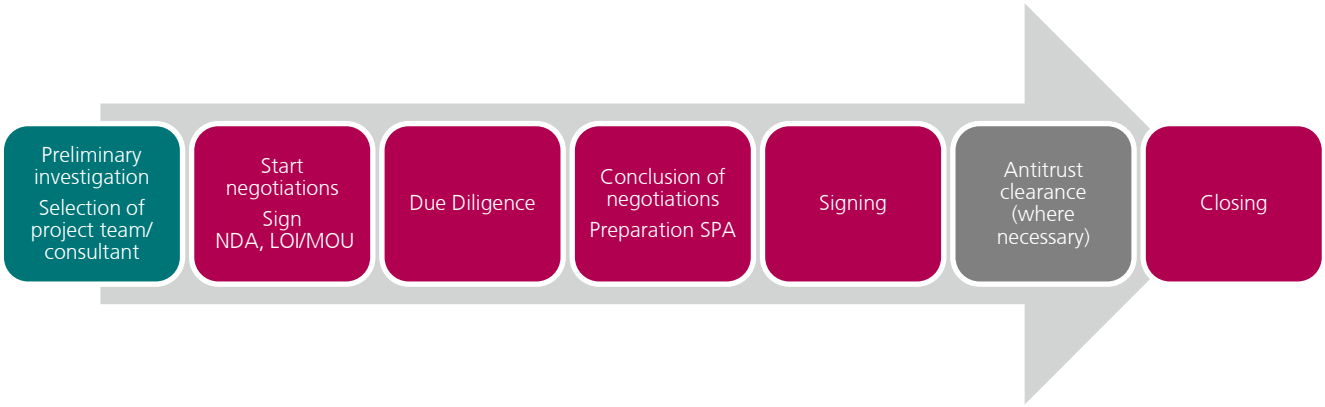
Advantages and disadvantages of an Asset Deal

Besides matters of tax the following advantages and disadvantages carry significant bearing:

Advantages	Disadvantages
> Concretely defined purchase item > Purchase of only the assets of interest > Renouncementof individual assets > No acquisition of the risky cover company is necessary > Avoidance of hidden liabilities by exact designation of the purchase items > No liability continuity for old liabilities	> Consent requirements for the transfer of legal relationships > Authorization required for the complete or overwhelming takeover of the assets of a company, as change of control via the purchase is possible > Sometimes confusing > Approval of third parties is necessary in the event of a transfer of contracts

Important terms related to M&A transaction

Each acquisition is usually carried out in the same main stages. The acquisition begins with preliminary negotiations, followed by a due diligence conducted on behalf of the buyer. Once these two stages have been concluded to the satisfaction of the buyer, a **Sale and Purchase Agreement (SPA)** in the form of a share purchase agreement, or a purchase agreement for certain assets, can be signed.



The following terms are of decisive importance.

Non-Disclosure Agreement (NDA)

A Non-Disclosure Agreement is an agreement whereby both parties agree to share information, but mutually commit not to share said information with others. It should be ensured that the right form is chosen for the NDA. In practice, the parties too often use a pre-formulated model NDA which is not fitting for an M&A transaction and which in case of emergency has significant potential for conflict.

Letter of Intent (LOI)/Memorandum of Understanding (MOI)

A Letter of Intent (or Memorandum of Understanding) is signed at an early stage of the negotiations. This contains the essential points of the agreement and serves as a basis for the execution of the transaction. As a rule, an exclusivity

clause is included to prohibit negotiations with other potential buyers. A Letter of Intent or Memorandum of Understanding is basically a non-binding declaration of intent. There is no obligation for the parties to conclude a contract. However, in individual cases, protection obligations and, in particular, an obligation to exercise diligence (suspension of negotiations, infringement of reconnaissance obligations etc.) may also be agreed.

Due Diligence

In order to minimise risks and the likelihood of unpleasant surprises, a Due Diligence review of the target company is carried out before the acquisition is completed. In addition to share transactions, this is also relevant for transactions in which all liabilities relating to the assets (companies) are automatically transferred to the buyer (depending on national law).

Legal Due Diligence	Financial Due Diligence	Tax Due Diligence
> All legal transactions as well as their impact are analyzed > Are there any open or hidden portfolio or liability risks? > Are business activities flawless with regard to all legal structures? > Objective: legal assurance and knowledge of the legal aspects of the company	> The "past" and the competition situation are analyzed > The existing business plan is checked for validity > Provides a basis for the evaluation of the company	> Uncovers the risks of potential tax payments > Draft of ownership transfer for the purposes of tax optimization

Signing

The signing of the SPA. As already mentioned, the SPA is subject to certain formal requirements, depending on the type and object of transaction as well as the country.

Depending on the nature of the transaction, several months may elapse between the Signing and the Closing (for example, if the transaction must be approved by the competition authorities).

Typically, in the SPA are agreed seller's obligations to continue the business at least until the Closing date in ordinary business operation as well as obligations to meet the agreed Closing requirements. In addition, the SPA often contains conditions precedent, which must meet the agreed deadlines, so that the Closing can take place.

Frequently, the final purchase price is only determinated after the Signing.

Closing

The Closing contains the execution of a Sale and Purchase Agreement (SPA) after the fulfillment of the agreed conditions precedent. As one of the main closing conditions, antitrust clearance has to be carried out so that closing can be performed.

As already mentioned, there is normally a period of time between Signing and Closing.The transaction itself is deemed to be concluded after the Closing, but further Post-Closing measures are often necessary to ensure the successful integration of the target company into the new group structure (e.g. appointment/dismissal of managers, rights of employees in connection with the company purchase and the subsequent restructuring of the target company, implementation of new compliance rules).

"Fall cords"

Representations & Warranties (R&W)

Representations & Warranties can de defined as a warranty which is agreed by the Seller in the SPA in respect to the legal and economic conditions of the sold company.

A breach of the Representations & Warranties is generally deemed a violation of the contract and entitles the buyer to legally provided remedies (e.g. compensation, reduction, withdrawal from the contract, default interest).

In Lithuania, court practice has developed in such a way that the issue has become defined thus: statutory guarantees apply to the shares as they are deemed to be the subject of the transaction, and not to the acquired company itself.

Pre-emptive rights

It is common practice that in the case of limited liability companies and joint-stock companies, the applicability of pre-emptive rights is subject to different rules for the transfer of shares. This is due to the discrete nature of these business entities. In general, limited liability companies are made for a "closed" group of shareholders, while joint-stock companies are expected to attract more shareholders and capital from the outside.

1 Limited liability companies

In all three Baltic States a statutory pre-emptive right for the transfer of shares is provided to all shareholders in limited liability companies. It is, however, possible to deviate from this requirement to some extent in the Articles of Association.

In Latvia, the right of pre-emption must be exercised within one month from receipt by all shareholders of the notification of the sale of the share of the shareholding, provided that no shorter period has been stipulated in the Articles of Association. The shareholder can waive their right to exercise pre-emption rights via a written declaration submitted prior to the expiry of the fixed deadline.

Within this allotted one month period, the seller of the shareholding is prohibited from disposing of their business share, changing the terms of the purchase contract, or carrying out other acts which might impair the ability of a shareholder with a pre-emptive right from choosing to make use of said pre-emption rights.

2 Joint-stock company

In Estonia, the right of pre-emption applies only in the event of a transfer of shares to third parties. In Lithuania, meanwhile, any restriction to the transfer of shares of a joint-stock company is prohibited (a right of pre-emption can be agreed between the shareholders, but this does not apply to third parties).

In Latvia, a right of pre-emption may be provided in the Articles of Association. This must be exercised within one month following receipt of the notification of the sale of the shares to the Management Board. The Management Board is then legally obliged to announce this notice directly upon its receipt.

Transfer of contracts, permits and licenses in the asset deal

Permits or licenses of the seller may only be transferred to the purchaser upon acquisition of the underlying assets if the transfer right is justified by the permit, or license itself or is legally permitted.

Permits and licenses owned by the seller are not automatically transferred to the buyer. In addition, although permits and licenses can be transferred in some rare cases, the buyer often has to apply for new permits and licenses. An exception to this rule may be the transfer of an entire asset complex of a company.

Transfer of undertakings

In Estonia and Latvia, work agreements that are transferred to a new employer continue to remain in force provided that the activities that they were concluded for remain unchanged or are similar in nature. The transfer of a company cannot serve as the basis for the termination of an employment contract. The same applies to collective agreements. Although employment contracts are automatically transferrable, it should be noted that the law requires both previous and future employers to provide their employees with information and consulation regarding the changes being made to the company.

Lithuanian regulations do not provide for the automatic transfer of employment relations in connection with a company purchase. The transfer of employees between the current employer and the future employer should therefore be agreed separately and consent to the transfer must be obtained by each employee.

In principle, collective agreements continue to apply in all three Baltic States. In Latvia, the terms and conditions of collective agreements may not be modified to the detriment of the employee for the duration of the first year following the date of the transfer.

Merger control

M&A transactions with certain revenue and market significance of the companies involved are governed by antitrust rules. The competent authorities are either the national competition authorities or the European Commission in the case of higher revenues of the involved parties. The competition authority examines the effects of the merger on market structures. If, in the opinion of the competent competition authority, the respective concentration would have a critical effect on the market, a concentration could be prohibited or the clearance could be linked to certain conditions.

An M&A transaction is subject to state merger control, provided that:

Estonia	Latvia	Lithuania
> the total turnover of all parties to the merger in Estonia amounted to more than 6 million Euro in the previous financial year	> the total turnover of all parties to the merger in Latvia amounted to more than 30 million Euro in the previous financial year	> the total turnover of all parties to the merger in Lithuania amounted to more than 14.5 million Euro in the previous financial year
> the turnovers of at least two parties to the merger in Estonia amounted to more than 2 million Euro each in the previous financial year	> the turnovers of at least two parties to the merger in Latvia amounted to more than 1,5 million Euro each in the previous financial year	> the turnovers of at least two parties to the merger in Lithuania amounted to more than 1.45 million Euro each in the previous financial year

Notice must be sent before the transaction is completed. In practice, the notice is given after Signing, but before Closing (and as a precondition of Closing).

Conclusion:

- M&A is an effective tool for growth-oriented companies in all industries.
- A successful M&A transaction can have a positive impact on both the short-term and long-term outlook of many companies.
- M&A transactions often pose considerable risks, especially in cross-border transactions.
- However, risks can be eliminated by competent M&A planning and support.
- As an experienced consultant, Rödl & Partner will be glad to assist you in all issues concerning M&A.

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> News in Brief

Estonia

Estonian National Court: arbitration court rulings only valid following approval by recognition procedure

The Civil Chamber of the National Court has delivered a decision regarding the rulings of arbitration courts. There is, at present, no national monitoring system in Estonia to control which arbitration courts are permanently active and which are not. The National court found that all arbitration court rulings will now be required to go through a recognition procedure prior to approval.

The Supreme Court decision stated that,as there is no national monitoring system in place, no assumption can be made as regards which court of arbitration is permanent. Under law, only rulings of permanent arbitration courts can be enforced.

The Supreme Court added that in the absence of any criteria it is not possible for bailiffs to decide whether an arbitration court decision has been made by a court which is permanently established. Therefore, bailiffs cannot use rulings made by arbitration courts as instruments of enforcement. However, bailiffs can enforce arbitration court rulings which have been recognized and declared enforceable.

Latvia

The new regulation regarding posting of workers enters into force

On 9 June 2016, new amendments to the Labour Law on the posting of workers to carry out work in Latvia and outside Latvia entered into force.

These amendments stipulate that an employer posting workers to carry out work in Latvia is required to notify the State Labour Inspectorate in Latvian, as well as provide all necessary information needed for the State Inspectorate to contact said employer should they wish to do so. Additionally, the employer is now required to indicate the nature of the activities that serve as a basis for the posting of workers, as well as the date on which the posting is to commence and end. Further obligations of the employer are also set forth.

The amendments stipulate that the minimum wage rules of the host member state must be observed from the time workers commence their posting abroad. The posting of workers is to be considered a specific type of business travel, meaning that employers will be required to comply with the rules for the reimbursement of business travel allowances. Such business travel allowances will be deemed part of the minimum wage if this is foreseen by the laws and regulations of the host state. Other reimbursable amounts related to expenses will not be deemed part of the minimum wage.

Law on Official Electronic Mail Address adopted

On 1 July 2016, the Law on Official Electronic Mail Address was adopted. This law will enter into force on 1 March 2018. The purpose of this law is to ensure the safe, effective and efficient delivery of electronic communication and exchange of electronic documents between state institutions and private parties.

Upon this legislation's entry in to force, it will be compulsory for state institutions and private parties that are registered in registers (e.g. companies), to register an official electronic mail address. An official electronic mail address and address account will then be activated automatically for the aforementioned parties. Such official electronic mail addresses can also be activated for persons not registered in registers provided that specific conditions are met.

This official email address will be used for all communication between public institutions and the private party, unless stipulated otherwise by other legal provisions.

Amendments for the determination of mandatory state social insurance contributions for small wage employees and micro-enterprises

Amendments to the Law on State Social Insurance, effective from January 1st, 2017, set forth provisions for the minimum amount of mandatory state social contributions that are to be made for employees whose monthly wage is determined to be smaller than the minimum monthly wage. The approved amendments stipulate that from January 1st, 2018, employers will be required to pay mandatory state social contributions that are equivalent to those provided for individuals employed at the minimum monthly wage, irrespective of whether an employee's earnings are below that average. As of January 1st, 2017, a transitional period is to be set during which mandatory contributions will have to be made to the amount of 75% ofthe minimum monthly wage.

It is important to note that from January 1st, 2017, micro-enterprise tax will no longer include social contributions and micro-enterprise employees will be insured in accordance with the Law on State Social Insurance. Employees of micro-enterprises will be insured in the same manner as employees of companies, wherein taxes are paid pursuant to general arrangements.

Documents confirming tax paid in foreign countries must be prepared

Persons who receive income in a foreign state are now required to submit a declaration of income to the State Revenue Service. Individuals submitting these forms are

also obliged to supply additional documentation, either attached to this document or presented simultaneously, that confirms the amount and source of the income generated in foreign states as well as taxes paid. Alternatively they may choose to attach or present simultaneously documented proof from the relevant foreign tax administration that taxes have been paid.

Until now such documents have not commonly been required, but please take into account that the State Revenue Service has the right to request such documents. What is more, in the event of a failure to present such a document, the State Revenue Service has the right not to recognize taxes paid in a foreign state and the tax payer will then be required to pay all calculated tax in Latvia.

Lithuania

After the parliamentary elections, government might change

Following recent parliamentary elections, Lithuania now faces a change of government. The Social Democratic Party of the former Prime Minister Algirdas Butkevicius suffered a bitter defeat, while the conservatives, under their chairman Gabrielius Landsbergis, who had entered the race as favorites, were unable to secure sufficient votes.

The winner of the elections was surprisingly the relatively young Greens and Farmers Union. Prior to their success being declared, the party had already signaled its willingness to talk across the board with all interested parties. The main focus of the election campaign was on economic and social policy. Despite this change in power, observers do not expect any radical departure from the previous government line. In terms of foreign policy and security, Lithuania is likely to remain firmly committed to its present EU and NATO course, and to continue to maintain its present stance in respect to Russia.

> We welcome and introduce a new employee

Estonia

Anne Nurmi, attorney at law, Rödl & Partner Estonia

Anne Nurmi specializes in legal disputes and has 15 years of experience in the representation of clients in various civil, administrative and criminal matters.

She studied law at the International University Concordia (Montreal/Canada) and has been a member of the Estonian bar association since 2002.

Anne Nurmi speaks Estonian, Russian, English, Swedish and Finnish.

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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