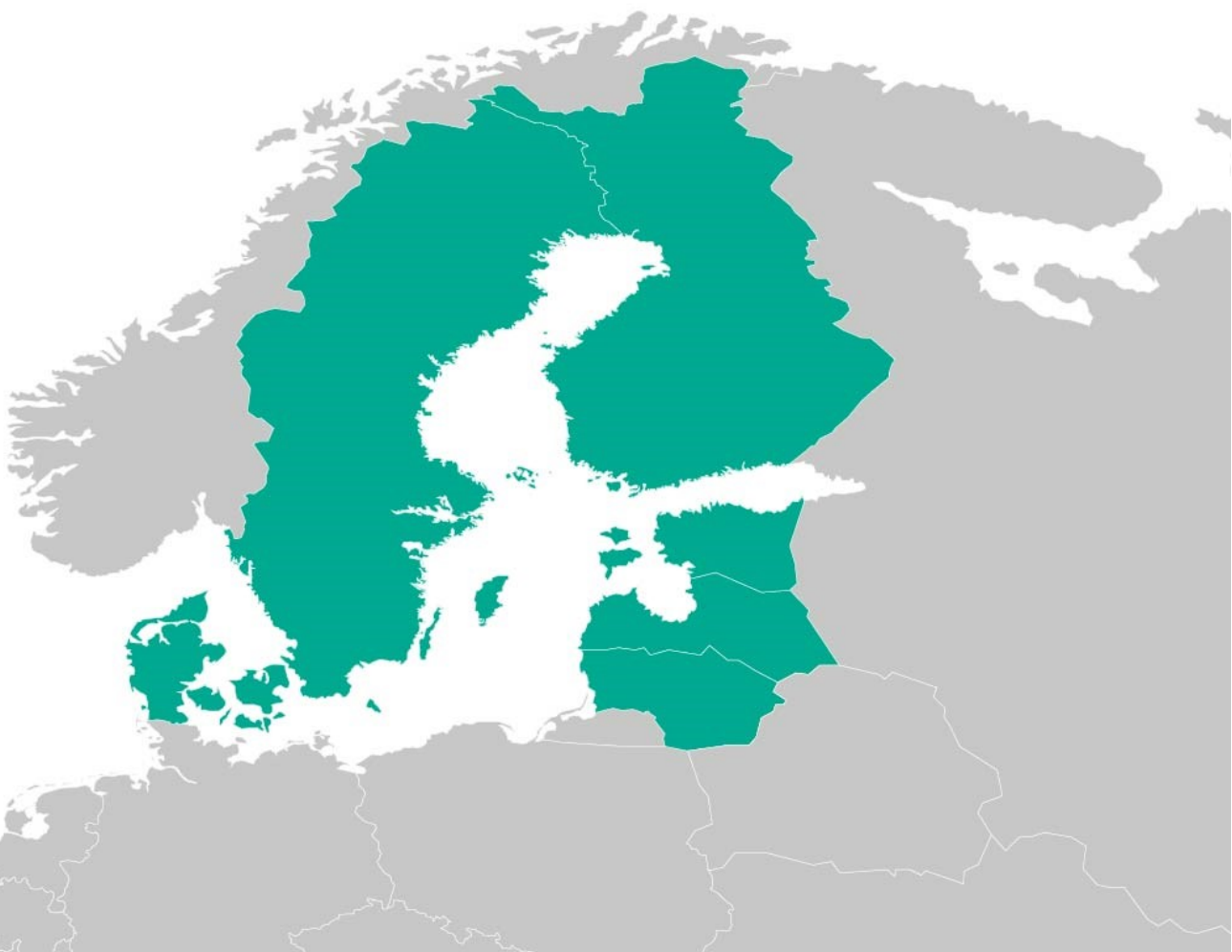


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NORDBALT BRIEFING

ILLUMINATE PATHS

Issue:
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Read in this issue:

- Editorial
- Denmark
- Estonia
- Finland
- Latvia
- Lithuania
- Sweden
- Get to know us!
- Events
- New employees
- Rödl & Partner in the Nordic-Baltic Region

→ Editorial

Dear reader

Political and economic imponderables brand our times, and the Corona pandemic is but a catalyst for an adjustment of international trends that can be observed for some time now: Globalized production that previously spanned all continents is being tied back, supply chains are questioned and risks are being reassessed. As a result, investment and trade rediscover their more immediate neighborhoods – and few regions benefit more from this than Northern Europe.

Having formed one integrated market long before the European Union was founded, Norway, Sweden, Finland and Denmark are certainly the most affluent and inviting business environments the Old Continent has on offer, all under the hugely successful brand of “the Nordics”. The impressive Öresund Bridge that links Malmö and Copenhagen has given new meaning to the European adage of “regional integration” and become an economic driver of its own accord. Above all, political and social stability and a welcoming, liberal culture have created political currency that the Nordic countries know how to invest wisely. Old connections across the Baltic Sea have been patiently revived, making Finland, for example, a gateway to Russia, while the Scandinavian finance sector rules the lands with little competition, and the appeal of the Nordic way of life unobtrusively informs the region’s elites. The Baltics, meanwhile, add a hunger for growth, freshly modernized, technology-driven economies and a highly mobile young work force to the mix.

And the North is doing well: A constantly growing demand in the public and private construction sector, the targeted expansion of the transport infrastructure, excellent conditions for research and development, an expanding IT sector and the rapidly changing energy markets have driven a long and pandemic-resistant upswing on both sides of the Baltic Sea. Yet self-reliant it is not. Export-driven like few others, the markets around the Baltic Rim connect well to both Germany and the Anglo-American world in trade and direct investment, and need the influx of know-how and capital on many levels. Between Copenhagen and Tallinn, anyone with skills or money to offer is most welcome, now and certainly once the Corona pandemic is overcome.

With this newsletter we would like to keep you up to speed on this exciting region – and of course convince you to turn to us whenever and wherever you need professional advice and support.

Best regards from the north,
Jens Pastille

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Rödl & Partner

→ Denmark

Bullets



Labour law: New holiday law in force

A new holiday law has been in place since 1 September 2020. According to this new legislation, the principle of simultaneity now also applies in Denmark, which means that any holiday allocation earned in one month may already be used in the following month. If the employee has not yet earned holidays, the employer may grant holidays in advance. Holiday pay earned during the transitional period will be paid into a separate fund.

Posted Workers Directive is expected to be fully implemented in national law by 1 January 2021

The revised Posted Workers Directive, which was scheduled to be implemented into national law in all EU Member States on 30 July 2020, is expected to enter into force on 1 January 2021, but with retroactive effect from 30 July 2020. The Posted Workers Directive defines the upper limit according to which long-term posted workers are covered by the host country's working and

employment conditions (after posting for more than 12 or 18 months).

Collective agreements: A fusion has formed the largest Danish employers' association

With effect from 1 September 2020, the Danish Industrial Association Dansk Industri and the Danish construction industry association Dansk Byggeri have merged. Therefore, Dansk Industri now represents the interests of approximately 17,000 companies, making it by far the largest employer association in Denmark.

Corona: Rules for short-time work made easier until 31 December 2020

From 14 September 2020, Danish employers are able to arrange short-time work under simplified conditions. Under the new rules, employees can be sent on short-time-work for 20 to 50 percent of their normal working time for a maximum of four months. For the duration of their short-time work, employees are protected against dismissal.

→ Denmark

New initiatives for control of companies

The new legislation

On 12 May 2020, the Danish parliament adopted a proposed control package which entails a number of changes to the Danish Company Act (selskabsloven), the Danish Financial Statement Act (årsregnskabsloven) and the Auditors Act (revisorloven).

All of these initiatives increase the authorities' ability to control companies and ensure that companies comply with the rules of the Company Act and Financial Statement Act.



New control measures in the Company Act

As part of the control package, changes have been made in the Company Act. These changes will affect company management in particular. Under these new changes, companies and those persons registered in the commercial registry (CVR-register) will need to adhere to new obligations, including new control tools that will allow the Danish Business Authority to strengthen their efforts against the use of a front man and fictional addresses.

- Exercise of management:
Management members must personally perform those obligations that rely upon the management according to the Company Act, and the Danish Business Authority is authorized to control this accordingly.

– Identity control:

The Danish Business Authority can require the verification of a passport or identity card for persons without an identification number (CPR-no.), including the physical appearance of the registered persons. The Danish Business Authority is simultaneously granted the opportunity to decline a registration and to de-register in cases of doubt.

Moreover, the Danish Business Authority is authorized to verify the identity of persons who make use of a digital identity in connection with a registration, if there is any doubt as to whether it is being misused.

– Verification of the company's address:

In addition, the Danish Business Authority has the authority to check that a company is in fact present and reachable at the address registered within the CVR-register. Furthermore, the Danish Business Authority now has the authority to run a physical check on the companies' addresses to ensure that the company is reachable at the address. Equivalent authorization is granted in order to verify personal addresses.

Sanctions

If the companies or relevant persons do not comply with the aforementioned obligations, the Danish Business Authority can now forcibly dissolve companies that do not provide the necessary information or documentation. Until now, the Danish Business Authority has only had the opportunity to issue coercive fines in cases where companies did not comply with injunctions demanding the correction of illegal conditions, or cases where companies had ceased to provide the demanded information.

The Danish Business Authority can now also publish ongoing investigations on its webpage.

Other legislative changes

Section 138 of the Danish Financial Statement Act has been amended so that all companies must report their net revenue to the Danish Business Authority when submitting their annual report. The information on net revenue is used to check whether the companies are submitting an annual report according to the correct accounting class,

and whether they meet the criteria for opting out of auditing requirements. The information is treated confidentially and is not made available to the public.

In addition, an extension of the scope of the Auditors Act has been introduced which entails that the auditor may in future be brought before the Board of Auditors and sanctioned under the Auditors Act for violation of the Money Laundering Act, as well as for advice in contravention thereof.

Checklist – what the changes mean for my business

If you are a business owner covered by the aforementioned legislation or a member of the management of a company covered by the legislation above, we recommend checking the following:

- Is the information entered in the CVR-register correct?
- Can the Danish Business Authority come into contact with the company or management easily and without obstacles, if necessary?
- Are copies of the registered management or other registered persons available?
- Can it be proven that the management of the company is exercised at the registered address?
- Can the company be contacted at the address registered in the CVR-register?
- Are all business documents stored legally (5 years from the registration date)?



Entry into force

The above rules come into force at different periods within the next 6 months. The amended rules in the Danish Financial Statement Act and the Auditors Act entered into force on 1 July 2020. The requirement to disclose the company's net revenue when submitting the annual report does not take effect until the annual report is submitted after 1 January 2021.

The amendments to the rules of the Company Act will enter into force on 1 January 2021.

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→ Estonia

Bullets



Estonia is one of the first countries in the world to create a digital nomad visa

As of August 2020, the Estonian digital nomad visa allows eligible remote workers to live in Estonia and legally work for an employer that is registered abroad or their own company that is registered abroad for up to 12 months. In order to be eligible, a worker must be able to work independent of location and perform their work over the Internet. Currently, the monthly income threshold is 3,504 Euros (gross of tax).

Private limited companies will be able to transfer shares more easily

As of May 2020, transactions that constitute an obligation to transfer or pledge a share are no longer required to be notarised. As of August, private limited companies with a share capital of at least 10,000 Euros, which has been paid in full, are able to waive the requirement of a notarial form for

a disposition for transfer, or the pledge of a share as well. The minimum denomination of a share is also reduced from one euro to one cent to ensure greater flexibility in determining the size of the shares.

Law amendments aimed at preventing disregard for employment rules entered into force this Summer

The lawfulness of the employment of a foreigner is the responsibility of the company in Estonia that gains actual benefit from the foreigner's work. Thus, the obligation to ensure and prove the lawful grounds of employment also extends to companies using temporary agency staff. In addition, non-resident entrepreneurs who have employees in Estonia will be required to register with the Tax and Customs Board and withhold income tax from wages.

Estonia fully transposes the European Union money laundering directives

With its new amendments to the Money Laundering and Terrorist Financing Prevention Act, Estonia is fully adopting the European Union's anti-money laundering directive and establishing several international standards within Estonia. One of the goals is to prepare Estonia's anti-money laundering and anti-terrorist financing framework for the forthcoming international evaluation.

→ Estonia

Recent changes to Working Conditions of Employees Posted to Estonia Act

The regulation of long-term posting has been established, according to which, after 12 or 18 months of working in Estonia, a posted worker must be subject to Estonian employment law instead of the minimum working conditions listed in the law.

Employment relations during the pandemic

Work relations are often tricky in the simplest of times, but navigating the muddy waters of the pandemic has been a challenge for almost all employers worldwide. Unfortunately, the crisis is not yet behind us and with the rise of positive cases in Estonia, employers might need to reevaluate their options as they continue to responsibly implement daily measures to limit the spread of the virus and ensure the health and safety of their employees and clients.

Due to the crisis, many employers have found themselves in a situation where they need to assess whether they can continue paying their employees the average wage irrespective of whether they are able to provide work, or whether redundancies should be considered.

In a situation where it is no longer possible to provide the employee with the agreed amount of work and the employer is unable to pay the agreed salary due to economic circumstances, the employer may unilaterally reduce the employee's salary for three months within a 12-month period under § 37 of the Estonian Employment Contracts Act. Salaries may be reduced by a reasonable extent, but not below the minimum wage established by the Government of the Republic of Estonia, which is currently 584 Euros per month.

It must be noted that special attention should be paid to the time periods presented above, especially in such cases when the employer has already made use of this option.

However, before reducing the salary, the employer must, if possible, offer the employee other work. If no other work can be offered or the employee does not agree with the offer, the employer must notify the employee of the planned reduction in their salary at least 14 calendar days in advance. Moreover, the employee has the right to refuse to work in proportion to their reduction in wages.

In the event that the employee does not agree to their reduction in salary, they have the right to terminate their employment contract by giving five working days' notice. Upon termination of the employment contract, the employee is to be paid compensation in the amount of one month's average salary, in addition to their earned salary and any unexpired and unused annual leave benefit. In addition, an employee is entitled to an additional redundancy benefit from the Unemployment Insurance Fund if the employee's last employment lasted at least five years.



Additionally, the employer and the employee may agree that the employee will stay at home for the agreed amount of time, e.g. two weeks. If it is no longer possible to provide the employee with work at all, but the employee is willing to work, the employer cannot unilaterally reduce the employee's salary, because reducing the salary requires the employee to be working to some extent. In this case, the employer must pay the employee the average wage for the time he is not working.

When it comes to unpaid leave, an agreement must be reached between the parties before the employee can take unpaid leave. If the employee does not agree to unpaid leave, but the employer does not allow the employee to work, § 35 of the Employment Contracts Act applies, according to which the employer must pay the average wage to an employee who is able and ready to work but is not working because the employer has not been able to provide any work.



Furthermore, it is also possible for the employer and the employee to amend the terms and conditions of their employment contract by mutual agreement of the parties. For example, the parties may agree that, while the employee stays at home without working, he or she will be paid less

than agreed in the employment contract. However, the employer cannot do this unilaterally; the employee must always give his or her consent. Similarly, holiday schedules may be changed, for example by using the employee's holidays earlier if this has been agreed between the parties.

Finally, if all of the above options have been exhausted, and the employer is unable to offer the employee any work and cannot continue paying the average salary, there are grounds undoubtedly, for a redundancy situation.

Given the current unstable situation, it is reasonable for the employer and the employee to work together and discuss all possible options in the employment relationship in order to find the best possible legally compliant solution for both parties.

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→ Finland

Bullets



Identification system “KATSO” to be replaced by “Suomi.fi”

The current “KATSO” identification system for the electronic filing of tax declarations expires on 31 December 2020 and is to be replaced by the new “Suomi.fi” identification system. This means that all taxpayers should apply for “Suomi.fi” identification before 31 December 2020 so that they are able to comply with the reporting duties that come into effect from 1 January 2021. To ensure a smooth transition for your accounting, please contact us in good time before the end of the year.

The DAC6 Directive (EU 2011/16/EU) has been implemented in Finland with effect of 1 July 2020

The national regulation is largely in conformity with the DAC6 Directive, setting a default fee in

the amount of a maximum 15,000 Euro. The reporting obligation is partly retrospective: certain arrangements already concluded between 25 June 2020 – 30 June 2020 needed to be reported on 31 August 2020, at the latest.

Finland has not implemented the Posted workers Directive so far

The Posted workers Directive EU 2018/957 concerning the posting of workers was not implemented in Finland before the set deadline of 30 July 2020. The governmental motion for the implementation is currently in process, and is estimated to come into force in December 2020.

→ Finland

DAC6 implementation in Finland

Finland implemented the “DAC6 Directive” (2011/16/EU) on the mandatory disclosure and exchange of cross-border tax arrangements by legislative measures, which entered into force on 1 January 2020. The new national regulations, broadly in alignment with the Directive, are effective as of 1 July 2020. The Finnish Tax Administration has also published guidelines for the purpose of explaining the Finnish Tax Administration’s view interpretation of reporting liability.



The reporting obligation

In conformity with the Directive, the obligation to report is primarily the duty of the service provider who designs, markets, organizes, or makes available the reportable arrangement for the implementation or manages its implementation. In absence of an external service provider, the tax liable has the reporting duty. External service providers conducting purely compliance duties or statutory duties (auditor issuing statement in accordance to Finnish Audit Act, as an example), do not have a duty to report.

Finally, external service providers under professional privilege are exempted from reporting duty (such as attorneys at law). The law does not set any de minimis thresholds for enterprises or transactions for triggering the reporting duty.

Transactions

The national implementation act, mirroring the Directive, contains no definition of what constitutes a transaction. Thus, a transaction may be any business transaction, arrangement, action, agreement,

aid, understanding, promise, commitment, event or other transaction. In general, transactions are primarily defined through hallmarks. Particular attention should be paid to the transfer of hard-to-value intangible assets and the transfer of intra-group operations, risks or assets. Transactions falling under said categories may trigger reporting obligations even if the tax benefit is not the main cause.

The reporting obligation applies to cross-border tax planning structures in which the parties to an arrangement are from more than one Member State, and the arrangement includes at least one of the hallmarks defined in the act, and in which, satisfies the main benefit test. The implemented domestic regulations are in conformity with the Directive.

The reporting obligation thus does not apply to pure domestic arrangements. According to the Finnish Tax Administration, arrangements made by the Finnish PE of a foreign enterprise, which are purely of domestic nature, are also exempted from reporting duty.

As an interesting aside, it is of note that that payments made to parties located in Estonia will not trigger reporting obligations, even though Estonia does not have CIT (income tax is however collected when profits are distributed).

Information

Reportable information is comprised of the identification details of the persons and companies involved in the arrangement and information on the reportable arrangement, such as a description of the arrangement and the national provisions which it takes advantage of. The volume of the transaction in Euro is also to be reported.



Deadline and retrospective reporting

The first notifications will be made for arrangements commencing on or after 1 July 2020. The notice period is 30 days after the plan has been completed, is ready to be implemented or has been put into practice. The law also requires notification of certain arrangements that have already been implemented: Arrangements that were implemented from 25 June 2018 to 30 June 2020 had to be issued to the Tax Administration no later than 31 August 2020.

Penalty

In the event that the obligation to report has been neglected, a default fee of maximum 15,000 Euros may be imposed by the Finnish Tax Administration. The amount of the default fee is subject to an overall assessment of the relevant circumstances at hand.

Advise

To meet with the new reporting duties throughout the EU, companies should create adequate reporting processes, and a system to detect arrangements to be reported. Despite the fact that

Finland's implementation of the Directive in most parts is aligned with the Directive, as is the case in many countries, it is to be recommended that companies ascertain that the process and system they create is in conformity with the local regulations of each country involved. We are glad to be of assistance in creating an adequate reporting process in a coordinated manner in all respective countries you are conducting your business.

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→ Latvia

Bullets



Covid-19: Reduced self-isolation period

On 15 September 2020, the Cabinet of Ministers decided to reduce the mandatory self-isolation time for travellers entering the territory of Latvia from countries with high Covid-19 risk. These amendments have been in force since 17 September 2020. This reduced self-isolation period does not apply to home quarantine (in case such is prescribed), which still remains 14 days.

Covid-19: Necessary information through SMS

As of 28 September 2020, all persons entering or returning to Latvia will receive a notification via text message informing and reminding them about their obligation to observe a 10-day self-isolation period upon entering the territory of Latvia after visiting countries with high Covid-19 risk.

The Ministry of Justice is proposing to abandon in-person services provided by the Register of Enterprises

On 17 September 2020, the Latvian Parliament (Saeima) approved amendments to the Law “On Register of Enterprises of the Republic of Latvia” for the purpose of discontinuing the provision of all in person services. Since the beginning of the state of emergency declared in March due to Covid-19, the Register of Enterprises has temporarily suspended the provision of all in-person service activities. Owing to the fact that the ongoing pandemic situation has shown that it is entirely possible to run all Register of Enterprise services remotely, the decision has now been made to discontinue all in-person service activities entirely. In order for the amendment to become effective, the Latvian Parliament has to approve them in two more readings.

Crisis in Belarus: Amendments to legal acts in the banking sector

Currently, the Financial and Capital Market Commission is working on amendments to its own regulations regarding know-your-client/AML regulations in order to enable the banks to accept clients from Belarus without having to automatically consider them high-risk clients.

According to the Latvian Ministry of Economics, at the moment 12 companies registered in Belarus have decided to transfer their business activities to Latvia. These companies are in the main from the IT, communication and green energy industries. Moreover, more than 200 other companies from Belarus have been provided with extensive consultations regarding business options in Latvia. Largely such advice is handled by the Latvian Investment and Development Agency,

being a go-to person for companies considering Latvia as a safe-harbour in stormy times.

Posted workers directive: Not yet introduced

While according to the publicly available data, majority of EU countries have already transposed the directive to their national laws, the Latvian Parliament has yet to do it as the necessary amendments to Labour Law currently have only been approved in the first reading.

Since several interest groups are involved in the subject matter and have submitted contradicting proposals, it is currently unclear when exactly the necessary amendments to the Labour Law will be introduced, however, considering that the deadline has already expired, the Latvian Parliament should adopt the bill on amendments to the Labour Law during autumn.

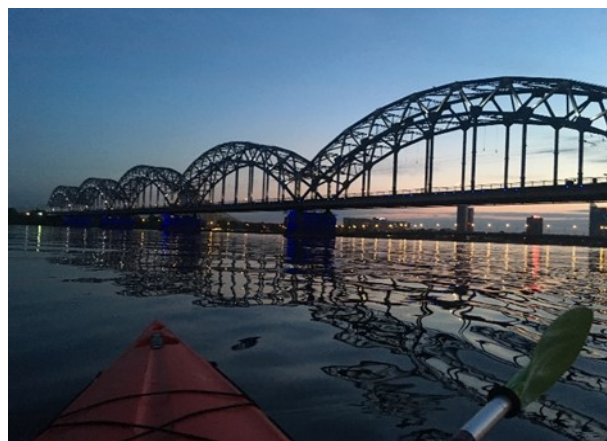
→ Latvia

Where employment and data protection interests do not match: compliance aspects in Covid-19

When the Covid-19 outbreak hit the world and a state of emergency was declared in Latvia, companies were faced with the challenge of complying with a number of new legal requirements whilst still attempting to keep their businesses afloat. Companies providing services to clients in person found themselves especially vulnerable, and were forced to adjust their business practices in line with strict new public safety protocols. Companies began introducing a variety of measures to contain the spread of Covid-19. For instance, a visitors' body temperature had to be measured in public places (in shops, cafes, beauty salons, etc.), employers introduced different requirements and restrictions on employees (for instance, employees were now obligated to inform their employer if they tested positive, or were obligated to stay home, take leave, or work remotely if they had travelled abroad). Often, the employer even collected information relating to the private life of the employee.

The main focus of these safety requirements was to prevent the spread of Covid-19, but there are other essential requirements that should be observed. Companies must comply not only with employment law and occupational health and safety requirements but also with the requirements of the General Data Protection Regulation (GDPR). Any data concerning the individual's health are considered a special category of data, the processing of which requires

a special legal basis. Thus, measures that the company takes in order to mitigate infection risk should also be evaluated in the light of GDPR.

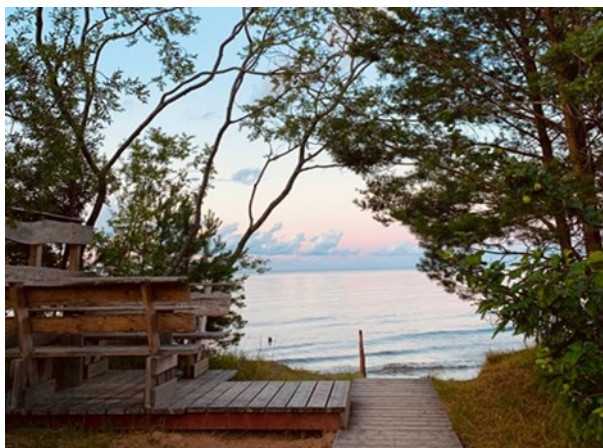


So far, the Latvian Data State Inspectorate has taken a rather liberal approach that other countries as regards data protection authorities. However, certain conditions in relation to GDPR must still be taken into account when a company introduces special measures to reduce the risk of infection.

Temperature measurements and the GDPR

Many companies now measure their employees' body temperature on a daily basis. According to

the opinion of the Data State Inspectorate, temperature measurements may be interpreted as a precautionary measure that meets the requirements of the GDPR, as long as the results of the measurements are not kept on file or made available to others.



As long as an employee does not have an elevated body temperature, the company has no legitimate need to store such data. The problem arises when the employee's temperature is elevated. In such instances the employer must take further steps and ask the employee to work from home. If the employee does not comply with such order, the employer has the right to suspend the employee from work. Given that the employee may challenge his suspension before the court, the employer must secure evidence and document their decision to suspend the employee, so that the employer can refer back to this at any point in the future. In such a situation, the data regarding the employee's body temperature can be retained as proof. Given the circumstances, such processing of data is necessary for the purposes of carrying out the obligations and exercising of the specific rights of the employer in the field of employment, which is, as specified above, to ensure occupational health and safety. Moreover, any attempts made to contain the spread of Covid-19 and protect the vital interests of the society is to be considered an appropriate measure.

The Data State Inspectorate has not commented on such a situation thus far. Nevertheless, such interests seem to be reasonable.

Self-isolation requirements

Latvian employment law is rather employee friendly and there is not much an employer can do if an employee poses a risk of infection to others but refuses to cooperate in order to reduce the risk of infection, e.g. by taking paid or unpaid leave,

making changes to their vacation schedule, or working from home. In all cases the employee must consent to these proposals.

Persons who have travelled to high risk countries are required to self-isolate. In this case, no paid sickness leave is offered by the state. Thus, employees are required either to work from home or take paid or unpaid leave. Finding the best possible solution is up to the employer and the employee.

Since some travellers prefer to avoid self-isolation, employers are entitled to ask employees, whether they have been to countries that have had high infection rates over the last 14 days and have/have not been in contact with patients diagnosed with Covid-19 or others who have been in contact with a patient diagnosed with Covid-19.

As most Covid-19 patients have been infected abroad and the official state control of self-isolation requirements is weak, some companies may want to take protective measures by asking employees who have been abroad to self-isolate, even those who have travelled to countries deemed as low-risk. In such situations, employees will need to provide evidence to confirm that they have not been abroad. The Data State Inspectorate deems such processing as intrusive into the private lives of the employee and the company risks being found guilty of the excessive processing of personal data. Thus, it is recommended that companies follow the official guidelines on what is considered safe and what is not safe in this regard.

Final remarks

GDPR does not prevent companies from using different measures to prevent the spread of Covid-19. Nonetheless, caution should be applied when dealing with data concerning employees' health. The current situation requires that employers and employees act respectfully towards each other so that they can arrive at a solution which is in the best interests of both parties.

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→ Lithuania

Bullets



Accounting: A draft law of the Law on Accounting was submitted

On 15 July 2020, a draft law of the Law on Accounting No. IX-574 was submitted to interested institutions for alignment. The aim of the new law is to govern the regulation on financial accounting and its monitoring system, taking into account the increasing use of IT and digitalisation processes. The new law will be named “Law on Financial accounting”, while accounting will now be called “Financial accounting”.

Changes on the posting of employees

Lithuania has harmonized the Directive (EU) 2018/957. The Directive aims to ensure not only equal working conditions, but also unified remuneration for posted employees (not necessarily the minimum wage) in respect to work performed in the respective Member State.

Accordingly, the Lithuanian Labour Code obliges employers to remunerate employees posted into the Republic of Lithuania with their

respective salary and any additional benefits that have to be paid in Lithuania (remuneration for overtime, conditions for accommodation etc.). Employees working in the transportation sector are temporarily excluded from the regulations.

Requests from Lithuanian courts will reach foreign courts faster

Following adoption of the amendments to the Lithuanian Code of Civil Procedure, the Lithuanian courts are now entitled to refer directly to courts or other competent institutions of non-EU countries (e.g. submission of documents). It is expected that this will reduce the time needed for further execution by at least a month. Previously, the courts referred to the competent foreign courts and institutions through the Ministry of Justice. However, foreign courts must still refer to Lithuanian courts though the Lithuanian Ministry of Justice.

20 years tax holidays for large scale investments

From 2021 new and existing companies are eligible to conclude a large-scale investment agreement with the Lithuanian Government and enjoy 20 years corporate income tax holidays. The scope of the incentive includes a number of business activities, including manufacturing, data processing, web server services (hosting), etc. In order to benefit from this tax relief, the investor must undertake to:

- a. sign a large-scale investment agreement and
- b. create at least 150 new jobs (200 new jobs when investing in Vilnius region), and
- c. invest at least 20 million Euro in private capital investment (30 million Euro in private capital investment when investing in the Vilnius region).

VAT refund will become faster starting from 2021

From 2021, VAT payers will be able to claim for VAT refund once it becomes available (e.g. after reporting input VAT which is higher than output VAT) without waiting for the end of the first half of the calendar year. This means that the following rules will now apply:

- a. VAT difference initially incurred will be deducted to cover future tax arrears, but also
- b. the remaining amount will be recoverable within 30 days of the VAT payer's request or receipt of the required documents.

→ Lithuania

Compliance with the latest AML regulations in Lithuania

On 10 January 2020, the 5th EU Anti-Money Laundering Directive (AML Directive) was transposed into Lithuanian law via an amendment on the Law on the Prevention of Money Laundering and Terrorist Financing (Law on AML). The transposition of the 5th AML Directive in Lithuania was surprisingly timely, partly as a result of the increasing number of money laundering scandals in the Nordic-Baltic region and the country's officially declared aim to become a regional centre for FinTech. The amendments introduced are considered to be a substantial improvement as regards the prevention of the use of the financial system for money laundering and the funding of terrorist



Covid-19 News: Travelling restrictions

Foreign citizens, arriving to Lithuania from affected countries (where the incidence rate exceeds 25 cases/100 000 population in the last 14 calendar days) have to provide a negative Covid-19 result for a test that has been taken within 72 hours before their arrival to Lithuania. The affected countries can be viewed on the [website](#). If the country is marked red, self-isolation is obligatory for a period of 14 days. Isolation is mandatory for such countries even if the foreign citizen has a negative test result. Under certain conditions self-isolation may be reduced to 10 days. All persons, arriving to Lithuania by air or sea are additionally obligated to register with the National Public Health Center electronically.

activities. AML and KYC procedures are no longer only relevant to financial institutions – some of the changes will also be relevant to a number of businesses and individuals.

Expansion of the scope of the obliged entities

One of the key changes introduced in the latest law amendments is the expansion of the list of obliged entities, who are obliged to ensure compliance with the latest AML regulations, conduct customer due diligence and report suspicious activities to responsible authorities. The definition of an “obliged entity” will now additionally refer to:

- Crypto exchanges and custodian wallet providers.
- Art dealers and real estate agents acting as transaction intermediaries where the value amounts to 10,000 Euros or more.
- Persons providing material assistance, support or consultations on tax matters.
- Free zones where the value of transaction amounts to 10,000 Euros or more.

The new law further obliges crypto exchanges and custodian wallet providers to report transactions amounting to 15,000 Euros or more to the Financial Crime Investigation Service (FCIS). Furthermore, persons offering ICO's are obliged to identify specific persons and their beneficial owners if they intend to acquire virtual currency to the value of 3,000 Euros or more. Such data has to be provided upon the request of the FCIS within 7 working days and shall be stored for 8 years from the moment of the transaction.



Facilitated customer identification procedure

The new amendments allow financial institutions and other obliged entities to collect identification data from official databases and registers, meaning that potentially less information may be requested for identification purposes. Such data has to be confirmed by the customer and must be accurate and up to date. If this is not the case, financial institutions and other obliged entities are compelled to stop all monetary transactions. It is therefore essential, that all legal entities registered in Lithuania submit and update information about their shareholders to the Information System of Participants of Legal Entities (JADIS).

It is worth mentioning that starting from the 1 January 2019, and in accordance with changes made Law on AML, all legal entities have been obliged to provide information about their beneficial owners. However the official system for registration is still under development. The current situation is therefore curious as there are no

technical possibilities to submit information about the beneficial owners, thus causing a compliance loophole. According to the statements of the State Enterprise Centre of Registers, the system will most likely start operating only in 2022.

According to the latest amendments, the FCIS will publish a list of prominent public functions and update it at least once every 4 years. This amendment will facilitate the process of identifying politically exposed persons, allowing obliged entities to verify whether a specific function is considered to be a prominent public function and if such person is politically exposed.

Introduction of Enhanced Customer Due Diligence (EDD)

The amended Law on AML requires that stricter KYC and AML measures be applied to customers and entities from high-risk third countries approved by the European Commission. For example, financial institutions and other obliged entities will be required to ensure that their customer's first payment is made from a credit institution that is established in the EU or in a third country which imposes requirements equivalent to those laid down in the Law on AML. For customers and entities from high-risk third countries financial institutions and other obliged entities will also be obliged to conduct enhanced business relationship monitoring, ask for additional information regarding the nature of the business relationship, acquire information regarding the source of funds and assets of the customer/entity and its beneficial owner, collect information on the transactions envisaged or already executed, etc.

Furthermore, such customers and entities will be allowed to establish subsidiaries, branches or rep offices in Lithuania only if their activities are completely separated from the activities of undertakings of their parent companies in high-risk third countries.

AML vs GDPR

Financial institutions and other obliged entities must comply not only with AML regulations but also with the requirements of the General Data Protection Regulation (GDPR). In general, obliged entities are required to collect and process large volumes of personal data to perform AML due diligences correctly while at the same time they are required to ensure that the collected personal data is processed in compliance with the GDPR.

The GDPR requires data controllers to establish and to document the legal basis for collecting and processing personal data, including data required for complying with AML regulations.

Nonetheless, not all of the processing of personal data for compliance with AML regulations purposes can be justified under the lawful basis of “compliance with a legal obligation to which the controller is subject”. For instance, the explicit consent of a data subject might be required as the legal basis for data processing when the identification of a customer and/or beneficial owner remotely is being performed by facial recognition systems. The same may also apply to the processing of personal data for risk ratings which do not directly derive from the legal obligations of the controller.



Furthermore, obliged entities must not only document the legal basis for data processing, they must also be able to demonstrate that their policies and procedures for data collection and processing for AML purposes are proportionate measures in respect to the rights and freedoms of data subjects and therefore the policies vary depending on the risk level of provided services and other circumstances. Hence, it is important for obliged entities to document their risk

assessments so that they are able to justify whether the processing of large-scale personal data is really necessary in light of the risk level for data subjects and the nature of the service being provided.

Final thoughts

As all of the afore-mentioned AML regulations are already in force, we strongly recommend that all financial institutions and other obliged entities revise and update their KYC, AML procedures and policies as well as assess their compliance with the GDPR. All legal entities should submit and update information regarding their shareholders at the official state registry (JADIS). Recent developments have shown, that more and more customers are receiving requests from Banks and other financial institutions to provide or to update KYC/UBO documentation. Failure to comply with such requests very often result in the freezing of bank accounts. To avoid such situations, all legal entities operating in Lithuania are therefore recommended to prepare extensive KYC documentation that can be provided to financial institutions or other relevant entities upon their request.

Contact in Lithuania



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→ Sweden

Bullets



Labour law: Prolonged recommendations

Employers who have the opportunity to let employees work from home should recommend this. This recommendation is prolonged until at least 31 December.

For employees not working from home, the employer must ensure that there is a distance between colleagues in the workplace, that working hours are adjusted so that employees do not have to travel to or from the workplace in rush hour-traffic, and that good hand hygiene is maintained.

Containment restrictions

Prohibition of public gatherings and public events with more than 50 people has been in place since 29 March 2020. This does not apply to private events but should be viewed as a recommendation for these events as well, according to the authorities. The government has now made a preliminary proposal that the limit for the number of people who simultaneously participate in certain public

gatherings and public events be raised to 300 people. The Public Health Authority has not yet accepted the proposal. The final decision will be made on 1 October and the new limit will come into effect from 8 October 2020 if agreed.

Corona: Rules for short-time work in effect until 31 December 2020

As of 16 March, until 31 December 2020, employers (who can prove they have experienced a drop in business due to effects of Covid-19) can apply for short-time work. Employees' working hours are reduced and salary compensation is paid by the government (the compensation levels differs mainly depending on different levels of reduced working hours and the employee's salary level). The employer can apply for compensation for six months with a possibility to prolong this compensation for a three further months.

So far, approximately 84,000 applications have been made and about 576,000 employees have had their working hours reduced.

Corporate compliance: General meetings of the shareholders



The Swedish parliament has passed a temporary law to facilitate the holding of general meetings

under the current circumstances, which applies through 31 December 2020. The law makes it easier for companies to conduct their general meetings in such a way that the risk of spreading the virus is reduced to a minimum.

The collection of proxies, postal voting and participation through representatives at general meetings will be possible to a greater extent. The number of people attending in person can be kept to a minimum, while the possibility for shareholders to exercise their right to vote is facilitated.

It is now also possible for companies to hold their annual general meeting by “electronic connection” (i.e. video conference solutions) in combination with postal voting or to hold a general meeting with postal voting only.

→ Sweden

Work environment: where compliance meets the challenge of staying attractive as an employer

Maintaining a healthy working environment is not simply a matter of compliance, i.e. living up to the minimum requirements. Having an attractive workplace is also an increasingly important factor in the so-called war for talent. According to Swedish law, employers are required to work systematically to provide a good and safe work environment for their employees. This includes a responsibility for the mental well-being of employees as regards such issues as stress and other psychosocial matters. Having fun and being part of a team are also aspects which are becoming increasingly prioritized higher by younger candidates. All of these elements now factor into the way in which company's formulate their corporate culture.

Working from home

The possibility to work from home, in part or more permanently, has become attractive to more and more employees over the last few years. Flexibility makes it easier to stay on top of the so-called life puzzle without having to lower the priority on work and career.

This issue has, of course, taken on a deeper resonance in recent months due to the spread of Covid-19. In the context of Covid-19, where many employers are implementing policies

where work from home is recommended or required, compliance poses new challenges.

The current recommendation from the Swedish Public Health Authority is that those who have the possibility should continue working from home throughout the fall (the recommendation is currently until 31 December).



The employer's responsibility for their working environment also extends to work performed from home, especially when working at the office is not an alternative. Obviously, the possibility to set up a home office which fulfils, if not exceeds, the recommendations for office work issued by the Work Environment Agency can be challenging in this context, e.g. due to lack of space. Some areas to consider are:

- Physical workspace: Employers should ensure that employees have the best possible workspace, taking into account lighting, working position, etc. Here office equipment such as chairs and computer screens can be temporarily moved to employees' homes.
- Boundaries: Routines for meetings and other communication, as well as what can be considered "office hours".
- General well-being at work: Setting up video meetings and coming up with other activities to let employees interact more informally in the way they would have done in the workplace.

Contacts and travel

Employers must also consider temporary policies on travel and meetings. Sweden has not implemented any mandatory restrictions for business travel or business meetings, but the recommendations are that non-essential trips and meetings should be avoided.

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→ Get to know us!

Take a virtual tour around Rödl & Partner's Baltics offices!

Get to know us virtually and experience our working atmosphere and core brand values. We offer you an exciting insight into the world of Rödl & Partner Baltics through the use of 360-degree technology.

Rödl & Partner has been present in the Baltic States for over 27 years. As the leading consulting company of German origin, we support some of the most important investment and major

transaction projects by foreign companies in the region via our offices in Riga, Tallinn and Vilnius.

More than 135 employees across our Baltic offices offer legal, fiscal and economic advice from a single source, providing local know-how, worldwide experience in international matters, and the competence needed to meet the special expectations of our internationally oriented clients.

Rödl & Partner Riga



The Rödl & Partner [Riga office](#) was established in 1993 and has been located since 2011 in former barracks – a historically remarkable building. The office is only a few minutes' walk from the old town and right next to Kronvalda Park.

Have a look at our office in [Riga, Latvia »](#)

Rödl & Partner Tallinn



Rödl & Partner has been present in Estonia since 1993. Our [Tallinn office](#) is located in the heart of the business district of Tallinn. The picturesque old town and the rapidly developing harbour area are only a few minutes' walk away.

Have a look at our office in [Tallinn, Estonia »](#)

Rödl & Partner Vilnius



Rödl & Partner has been present in Lithuania since 1998. It is located in the old town centre of the capital [Vilnius](#) and is in direct vicinity of the Cathedral-Basilica of St. Stanislaus and St. Ladislaus.

Have a look at our office in [Vilnius, Lithuania »](#)

→ Events

Webinar on posting employees to the Baltics



Webinar “Posting of employees to the Baltics: news after the coronavirus-related lockdown“, 30 September 2020.

Rödl & Partner in the Baltics in cooperation with the Advantage Austria Commercial Office in Vilnius, organized the webinar “Posting of employees to the Baltics: news after the coronavirus-related lockdown“ on 30 September 2020.

During the webinar Rödl & Partner experts presented an overview of the secondment-related regulations and restrictions that are common to all three Baltic countries. They also discussed the ways in which the approaches of the three Baltic countries of Lithuania, Latvia and Estonia have differed regarding the posting of employees to the Baltics.

Tobias Kohler, Partner and Head of Offices Lithuania and Belarus, Alice Salumets, the Head of Office Estonia, and Attorney-at-law Dr. Lauris Rasnačs (Latvia) discussed the most relevant legal and tax aspects that need to be known by businesses who may be considering posting employees to the Baltics.

21st Forum Global from 21 to 24 September 2020



Presentation by Tobias Kohler and Sebastian Wiendieck

The 21st [Forum Global](#), organized by Rödl & Partner, took place for the first time entirely virtually from 21 to 24 September 2020. The annual foreign trade event offered international companies the opportunity to obtain comprehensive information about the diverse opportunities and challenges on the global market.

Over 30 lectures and panel discussions were led by experienced Rödl & Partner professionals. At the Forum Global Tobias Kohler, Partner and Head of Rödl & Partner Lithuania, delivered a presentation on the Baltic States as a prime nearshoring location for German investors. In addition, Sebastian Wiendieck, Partner and Head of Legal at Rödl & Partner Shanghai office, discussed the trends and reasons for withdrawal from China and provided an overview of the attractiveness of the Chinese market.

A guided walking tour around Tallinn Old Town



In September, Rödl & Partner Tallinn office had the opportunity to see the Estonian capital through the eyes of tourists. As a kick-start to the new season, our team took a guided walking tour around Tallinn Old Town, gaining fresh energy and knowledge. The tour ended with a delicious ice-cream tasting in a local gelateria.

A guided walking tour, Tallinn, September 2020.

→ New employees

→ Rödl & Partner Latvia



We are extremely thrilled to announce that attorney at law [Dr. Lauris Rasnačs](#) joined Rödl & Partner Latvia on 27 June 2020!

Dr. L. Rasnačs is a well-established litigation practitioner, esteemed lecturer at the Law Faculty of University of Latvia and a great addendum to Rödl & Partner global dispute resolution practise. Apart from this, Lauris is registered as Latvian and European Trademark attorney, allowing him to handle a wide range of intellectual property matters. Being an author of various articles and leading lecturer in competition law, he is a highly valued expert in the field.

The core areas of Lauris' expertise include dispute resolution, competition and commercial law as well as intellectual property.

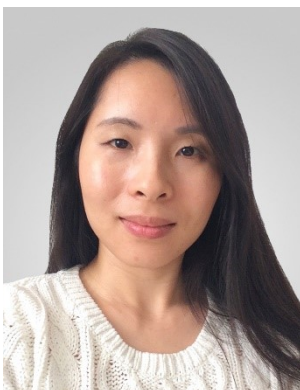
Dear Lauris, we are excited and proud to have such a highly experienced professional in our Rödl & Partner family!

→ Rödl & Partner Denmark



[Camilla Marschall Jensen](#) works as a BPO assistant and has been part of Rödl & Partner Denmark since 1 August 2020. She primarily works with customers' bookkeeping, VAT and payroll services. Furthermore, she has the responsibility to prepare financial statements in CaseWare for both Danish and international companies.

Before Rödl & Partner Denmark, Camilla worked as an auditor trainee for 2 years.



[Theresa Nguyen](#) works as an Assistant Manager and has been part of Rödl & Partner Denmark since 1 August 2020. She performs auditing, accounting assistance and provides financial statements and tax advice to customers.

Before joining Rödl & Partner Denmark, Theresa worked as an accounting consultant and lately as an auditor for two smaller accountancy companies.

→ Rödl & Partner Estonia

New colleagues	Date of employment	Position	Area of expertise
Tõnu Roostalu	10 August	Auditor	Auditing
Eilike Poola	13 July	Chief Accountant	Accounting
Aigul Utebekova	5 August	Chief Accountant	Accounting
Svetlana Nõmme	6 July	Chief Accountant	Accounting
Brenda Bergmann	25 March	Accounting Assistant	Accounting
Ljudmila Gorodetskaja	2 September	Accounting Assistant	Accounting
Triin Bärengrub	10 August	Management Assistant	Administration

→ Rödl & Partner Lithuania

New colleagues	Date of employment	Position	Area of expertise
Julija Babošina	1 June	Accountant	Accounting
Andrius Šarakojis	9 March	Audit Assistant	Auditing



→ Rödl & Partner in the Nordic-Baltic Region



As an integrated professional services firm, Rödl & Partner is active at 109 wholly-owned locations in 49 countries. We owe our dynamic success in the service lines audit, legal, management and IT consulting, tax consulting as well as tax declaration and BPO to our approx. 5.120 entrepreneurial minded partners and colleagues.

Rödl & Partner has been present in the Nordic-Baltic Region for more than 27 years. As the leading consulting company of German origin, Rödl & Partner supports via its offices in Copenhagen, Tallinn, Helsinki, Tampere, Kouvola, Riga, Vilnius, Stockholm and Malmö some of the most important investment and major transaction projects by foreign companies in the region.

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