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FIRM

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COMPANY INCORPORATION IN LITHUANIA, ESTONIA AND LATVIA

[COMPANY INCORPORATION IN LITHUANIA]

This memorandum on company incorporation in Lithuania provides a general summary on requirements and procedure of most common form of a business presence in Lithuania – limited liability company [UAB].

COMPANY INCORPORATION IN LITHUANIA

The most common form of a business presence in Lithuania is a limited liability company [UAB].

The minimum share capital required to establish a limited liability company is LTL 10 000 (EUR 2899) which shall be paid before a company registration with the Commercial register when the company bank account is opened. Limited Liability Company [UAB] may be founded by natural person as well as legal person (company).

1. Company formation cost including bank account and VAT registration

State fee for registering UAB (private limited liability company) is 198LTL (57, 4 EUR). State fee does not include notary fees that may vary from 250 (72, 5 EUR) to 800 LTL (232EUR). There is no state fee for registering as VAT payers in Lithuania. In order to open company's bank account the cost slightly varies on the particular bank. In case if company is incorporated by legal person (company) there might be additional costs for translation services (approx 16 EUR/page).

The registration takes 3 business days from the submission of documents at local authorities and the all-included state fee range is from 290 EUR to 580 EUR.

2. Legal address

Please do note that it is necessary to indicate the legal address of the company. Therefore the registration at particular premises in Lithuania is necessary as the initial step. For your convenience we may offer to use our firm's legal address in Vilnius.

3. Procedure of incorporation

The initial step is to conclude the act of establishment of the company;

Temporary bank account is opened and an initial contribution for the subscribed shares is paid. The amount of the initial contributions must be at least LTL 10,000 (2899EUR);

The articles of association of the company are drawn up and approved by the notary and the necessary management bodies in the company are appointed;

The company is deemed to have been established upon registration thereof with the Register of Legal Entities.

All the documents must be submitted to Center of Registers in Lithuanian language. According to local laws, the translation of documents can be made only by the certified translator. Approximate cost for one page translation is 16 EUR/page; Approximate cost for the translation of Company setup documents is 1000LTL (290EUR).

4. Required Documents and Information

The list of the main documents and information for company incorporation in Lithuania are:

1. Data on the company director and the board members (names, surnames, identification numbers, dates of birth, residence addresses and passports copies); Data on the establisher of the company (In case if the establisher is the legal person (company) - extract from Center of Registers on the company);
2. Legal address of the company in Lithuania;
3. Information on the Bank preferences;
4. Act of Establishment;
5. Articles of Association;
6. Establishers Decision;
7. Certificate from the bank which proves that the initial share capital of LTL 10000 (EUR 2899) have been paid.

Also please be informed that the availability of the name of the legal entity must be checked prior to registration.

5. Taxation in Lithuania

	Rates, costs	Short explanations
VAT	The standard rate is 21%, the reduced rates 9% and 5% (in some cases)	The taxable period is one calendar month.
Corporate income tax	The standard rate - 15%. For micro companies - 5% (average number of pay-roll workers less than 10 persons, income of taxable period does not exceed 500 thousand LTL.).	Taxable profit = Income received during the tax period - Not taxable income - Allowed deduction (including limited size deduction)
Dividend tax	15%	for legal persons (unless the participation exemption applies)
	20%	for private persons
Personal income tax	The standard rate - 15%, 20% to income from distributed profit	
Social security contributions	3%	pension insurance - employee's contribution
	6%	health insurance - employee's contribution
	between 30,98% - 31,7%	employer's contribution (depending on the risk group)
Real property tax	from 0,3 % to 1 %	depends on the municipality

[COMPANY INCORPORATION IN ESTONIA]

This memorandum on company incorporation in Estonia provides a general summary on requirements and procedure of most common form of a business presence in Estonia – limited liability company [OÜ].

COMPANY INCORPORATION IN ESTONIA

The most common form of a business presence in Estonia is a limited liability company [OÜ].

1. Minimum share capital

The minimum share capital required to establish a limited liability company is **EUR 2500** which shall be paid by shareholders with monetary or non-monetary contribution before a company registration with the Commercial register when the company bank account is opened.

From **January 1th, 2011** it is possible to establish a company **without contribution**. The decided share capital (at least 2500 EUR) may be **contributed later**, after the term shareholders decide in the **Articles of Association**. OÜ without contribution is not a new form of limited liability company and the regulation for general OÜ will apply. The Commercial Register will make a notice in the company's official extract, that the company is established without contribution.

Requirements for OÜ without contribution:

1. Shareholders may be only **natural persons**;
2. Articles of Association shall include the **term**, when the share capital is covered;
3. Until the contribution is made - the shareholders are **personally liable** for company's activities;
4. Until the contribution is made – is not possible to distribute **dividends**;
5. The maximum share capital of OÜ without contribution is **250 000 EUR**;

2. Company formation cost including bank account and VAT registration

State fee for registering OÜ (private limited liability company) is EUR 140. State fee does not include notary fee, which approximately is 40 EUR. There is no state fee for registering as VAT payers in Estonia. In order to open company's bank account the cost slightly varies on the particular bank. In case if company is incorporated by legal person (company) there might be additional costs for translation services (approx 16 EUR/page).

The registration takes 5 business days from the submission of documents at Commercial Register.

3. Legal address

Please do note that it is necessary to indicate the legal address of the company. Therefore the registration at particular premises in Estonia is necessary as the initial step. For your convenience we may offer to use our firm's legal address in Tallinn.

4. Procedure of incorporation

The initial step is to conclude the act of establishment of the company;

Temporary bank account is opened and an initial contribution for the subscribed shares is paid. The amount of the initial contributions must be at least EUR 2500;

The articles of association of the company are drawn up and approved by the notary and the necessary management bodies in the company are appointed;

The company is deemed to have been established upon registration thereof with the Commercial Register.

All the documents must be submitted to Commercial Register in Estonian language. According to local laws, the translation of documents can be made only by the certified translator. Approximate cost for one page translation is 16 EUR/page; Approximate cost for the translation of Company setup documents is 290 EUR.

5. Required Documents and Information

A: if the establisher is **an individual**:

1. Power of Attorney issued to us for establishing the new company- **notarized**;
2. Confirmation from persons Notary that the establishers person has a right to establish a company in Estonia. (no Business Prohibitions etc.) **notarized**;
3. Preferable name of the company;
4. Legal address;
5. Business activities;
6. Preferable bank;
7. Certificate from the bank which proves that the initial share capitals of EUR 2550 and state fee EUR 140 have been paid.

B: if the establisher is a legal person:

1. Current extract from the establishers Commercial register (as the prove that the founder of the Estonian company is registered company in foreign state and see as well its legal representative(s)) – **original possible Apostille:**
2. Power of Attorney issued to us for establishing the new company– **notarized:**
3. Memorandum of Association of the founder- **notarized:**
4. Preferable name of the company.
5. Business activities.
6. Preferable bank.
7. Certificate from the bank which proves that the initial share capitals of EUR 2550 and state fee EUR 140 have been paid.

➤ **Apostille** may be required in documents, issued by foreign authorities (Commercial registers) of countries, with whom Estonia does not have the Legal Help Agreement, therefore is possible, that the Apostille is not required.

6. Taxation in Estonia

	Rates, costs	Short explanations
VAT	The standard rate is 20%, the reduced rate 9%.	The taxable period is one calendar month.
Corporate income tax	General CIT is 0%, 27% is applicable only in profit distributions.	27% is covered mostly in dividend payments, but also on gifts, donations, fringe benefits and royalties, what company makes from the company account, tax is covered in company level.
Dividend tax	27%	As the taxpayer is company, then shareholders status (legal person, individual or resident, non-resident) is not important.
Personal income tax	21%	Covered basically by employer in salary payments, usually withheld tax, which means the tax payer is the person paying the taxable income to an individual
Social security contributions	33%	Employees contribution, includes health insurance, unemployment insurance
	1,4%	Unemployment insurance, employer's contribution
Land tax	0,1 % to 1 %	Annual tax, depends on the location of land
Non-Taxable Income	144 EUR	

[COMPANY INCORPORATION IN LATVIA]

This memorandum on company incorporation in Latvia provides a general summary on requirements and procedure of the most common form of a business presence in Latvia – limited liability company [SIA].

COMPANY INCORPORATION IN LATVIA

The most common form of a business presence in Latvia is a limited liability company [SIA].

The minimum share capital required to establish a limited liability company is 2000 LVL (~2857 EUR) or, if a micro company, less than 2000 LVL (~2857 EUR), namely, from 1-1999 LVL (1,5-2856 EUR) which shall be paid before a company registration with the Commercial register when the company bank account is opened. Limited Liability Company [SIA] may be founded by a natural person, as well as by a legal person (company).

In order to register a micro company, all of the following requirements have to be met:

- 1) Establisher/shareholder is a natural person (max 5).
- 2) The same person (s) in board.
- 3) The person can own only one such micro company

1. Company formation cost including bank account and VAT registration

State fee for registering SIA (private limited liability company) - 177 EUR; if established by natural persons (max 5) and the board member is the founder - 71 EUR; company that is established by 1 establisher –registration is in 1 day –177 EUR; state fee for micro company– ~40 EUR. State fee does not include notary fees that may vary from 26 līdz 200 EUR. There is no state fee for registering as VAT payers in Latvia. In order to open company's bank account the cost slightly varies on the particular bank. In case if company is incorporated by legal person (company) there might be additional costs for translation services (approx 14 EUR/page).

The registration takes 3 business days from the submission of documents at local authorities and the all-included state fee range is from 470 EUR to 580 EUR.

2. Legal address

Please do note that it is necessary to indicate the legal address of the company. Therefore, the registration at particular premises in Latvia is necessary as the initial step. For your convenience we may offer to use our firm's legal address in Riga.

3. Procedure of incorporation

The initial step is to conclude the act of establishment of the company;

Temporary bank account is opened and an initial contribution for the subscribed shares is paid. The amount of the initial contributions must be at least 50% of the share capital, but if a micro company – all the sum;

The articles of association of the company are drawn up and the necessary management bodies in the company are appointed;

The company is deemed to have been established upon registration thereof with the Register of Enterprises.

All the documents must be submitted to the Register of Enterprises in Latvian language. Approximate cost for one page translation is 14 EUR/page; approximate cost for the translation of Company setup documents is 290EUR.

4. Required Documents and Information

The list of the main documents and information for company incorporation in Latvia are:

1. Data on the board member (s) of the company (representation rights – separately or jointly (if more than 1 member), residence address and passports copies); Data on the establisher of the company (in case if the establisher is the legal person (company) - extract from the Center of Registers of the respective country on the company (no Apostille shall be added if it is a company located in EU, EEZ or Swiss Confederation);
2. Legal address of the company in Latvia;
3. Information on the Bank preferences;
4. Act of Establishment;
5. Articles of Association;
6. Certificate from the bank which proves that the initial share capital has been paid (if a micro company – the establisher approves payment by himself).

Also please be informed that the availability of the name of the legal entity must be checked prior to registration.

5. Taxation in Latvia

	Rates, costs	Short explanations
VAT	The standard rate is 22%,	Obligatory registration as a VAT payer if turnover during previous 12 months exceeds 35 000 LVL (~49 800 EUR)
Corporate income tax	The standard rate -15%. For micro companies - 9% (Turnover may not exceed 70'000 LVL (~100'000 EUR) during the financial year. Supposing turnover exceeds 70'000 LVL; tax rate for exceeded part will be 20%.The number of employees may not exceed 5).	
Dividend tax	10%	for natural persons
	10%	For legal persons, except for dividends paid out to resident of other European Union or European Economical Zone country
Personal income tax	25%	
Social security contributions	11%	employee's contribution
	24.09%	employer's contribution
Real property tax	from 0,2 % to 1,5 %	depends on the form of real property

For any additional questions, please contact:

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