



SORAINEN

EUROPEAN LAW FIRM OF THE YEAR
Awarded by The Lawyer

INVESTMENT CARD

Doing business in the Baltics and Belarus –
a snapshot of the most relevant commercial terms

Effective 1 September 2016



Indicator	Estonia	Latvia	Lithuania	Belarus ¹
Ease of doing business (World Bank Report 2016 ranking)	16	22	20	44
Registering property (World Bank Report 2016 ranking)	4	23	2	7
Enforcing Contracts (World Bank Report 2016 ranking)	11	25	3	29
Establishment term	From 1 business day online with an ID card	From 1 business day	From 3 business days	From 1 business day
Minimum share capital (for private limited liability companies)	EUR 2,500 Natural persons can register a company without paying up share capital	EUR 2,800	EUR 2,500	No requirements
Residence requirements for management/shareholders	No citizenship or residence requirements	No citizenship or residence requirements	No citizenship or residence requirements	No citizenship or residence requirements
Minimum gross monthly salary	EUR 430	EUR 370 (may be raised to EUR 380 as of 1 January 2017)	EUR 380	EUR 110
Average gross monthly salary	EUR 1,163	EUR 838	EUR 770	EUR 340
Corporate income tax	0% on retained or reinvested earnings/20% postponed to payment of dividends	15% (9% reduced rate for companies and individuals obtaining "micro-enterprise" status)	15% (5% reduced rate)	18% (with exceptions)
Taxation treaties with	56 countries	58 countries	53 countries	67 countries ¹
Incentives available	Yes	Yes	Yes	Yes

¹ <http://www.nalog.gov.by/uploads/documents/Stranitsy-iz-NB-45-04-12-2015-2.pdf>

² <http://www.nalog.gov.by/ru/podtverjdenie-nalogovogo-rezidentstva-ru/>

ESTONIA

Why Estonia

- Ranks 16 out of 189 economies in overall ease of doing business (World Bank *Doing Business 2016* report).
- Ranks 3rd in Europe and 9th in the world in 2016 Index of Economic Freedom Study by Heritage Foundation.
- Politically stable modern market-based economy.
- Good location and connections to the whole Baltic Sea region and between East and West.
- Front-runner in IT and communications technology solutions.
- Highly skilled labour force – 39.1% with higher education (Statistics Estonia 2016).
- Offers competitive cost structure for a company.
- Little bureaucracy and no discrimination between local and foreign investments.
- Most transactions and bureaucracy can be done electronically by ID card.
- Electronic ID, digital signature and access to e-government resources available for eligible non-residents.

Estonia can offer

Corporate laws

- Registering a company online with an ID card in a matter of minutes.
- Minimum share capital EUR 2,500.
- Natural persons can register a company without paying in share capital.
- Only one management board member required; no citizenship or residence requirements.
- Corporate changes can be registered and annual reports filed online.
- Meetings can be held via e-mail or letter.

Employment regulation

- Wide freedom of contract.
- Termination notice period (for economic reasons) 15 days to 3 months; only one month's average salary as compensation.
- Minimum salary – EUR 430.
- Average gross monthly salary (estimate for 2016) – EUR 1,163.
- Few trade unions.
- Favourable immigration regulation for hiring qualified non-EU nationals and for intra-group transfers of foreign employees.

Tax system

- 0% corporate income tax (CIT) on retained or reinvested earnings for resident companies.
- 20% CIT deferred until dividend payments are actually made.
- Dividends, interest and royalties not subject to withholding tax.
- No traditional thin capitalisation rules.
- Value added tax (VAT) – 20%; reduced rate – 9%.
- Personal income tax rate – 20%, including capital gains.
- Income tax free minimum salary EUR 170 monthly.
- Social security contributions: employer pays social tax of 33% from gross salary. Employer pays unemployment contribution of 0.8% and withholds employee's unemployment contribution of 1.6% from gross salary.
- Online tax declarations and communication with the tax board.
- Easy to claim VAT refunds.

Investment incentives

- Treaties for avoidance of double taxation with 56 countries.
- The Estonian cost level is significantly lower than that of neighbouring Scandinavian countries.
- Buildings are not subject to real estate tax (only land is).
- Resident companies can apply for grants from EU structural funds.
- Estonia offers e-Residency — a transnational digital identity available to anyone in the world interested in managing a location-independent business online, which also allows establishing or administering a company online.
- Among leading countries in Central Eastern Europe in terms of foreign direct investment attracted *per capita*.



Karin Madisson
Partner

karin.madisson@sorainen.com
ph +372 6 400 934



Toomas Prangli
Co-Managing Partner

toomas.prangli@sorainen.com
ph +372 6 400 966

LATVIA

Why Latvia

- Ranks 22 (out of 189 economies) in overall ease of doing business (World Bank *Doing Business 2016* report).
- Predictable legal and regulatory environment.
- Prime geographical location and developed port and railroad infrastructure – crossroads between North, East and West.
- Available financial incentives mainly as tax deductions and subsidies.
- Favourable environment for running service centres for foreign businesses.
- Temporary residence permits for financial investment, investment in real estate or investment in company share capital.

Latvia can offer

Corporate laws

- No residence requirements for the management board.
- Supervisory board mandatory only for public limited liability companies.
- One-person management board sufficient.
- Minimum share capital – EUR 2,800.
- No restrictions on shareholder's nationality or residence.
- Most establishment steps can be done under a power of attorney.

Employment regulation

- Skilled workforce speaking at least one foreign language.
- Possibility to apply flexible work-time organisation forms (eg aggregated working time).
- Social security system is run by the state and removes costs from the employer.
- Low trade union membership rate in private sector.
- Minimum salary – EUR 370 (may be raised to EUR 380 as of 1 January 2017).
- Average gross monthly work remuneration – EUR 838.
- Favourable immigration regulation for hiring qualified non-European Union nationals (including EU Blue Card system) and for intra-group transfers of foreign employees.

Tax system

- One of the lowest rates of corporate income tax (15%) in the EU, capital gains on sale of shares exempt from corporate income taxes.
- Standard personal income tax rate – 23%.
- Standard value added tax rate – 21% (12% reduced rate).
- Social security contributions: employee rate – 10.5% of gross salary, employer rate – 23.59% on top of gross salary.
- Social security contributions not payable for salary over EUR 48,600 threshold annually (may change as of 1 January 2017).
- Salary over EUR 48,600 is subject to solidarity tax: employee rate – 10.5% of gross salary, employer rate – 23.59% on top of gross salary.
- Unlimited carry forward of tax losses.
- Binding advance tax rulings and advance pricing agreements available.
- Holding regime – no withholding tax on interest and royalties and participation exemption for withholding taxes on dividends (except payments to black-listed jurisdictions).
- Triple deduction of research and development (R&D) costs of qualifying projects for corporate income tax purposes.
- Online tax reporting.

Investment incentives

- Tax and other benefits for businesses within special economic zones.
- Corporate income tax rebates for investment projects exceeding EUR 10 million.
- Credit guarantees of up to EUR 1.5 million.
- Five state aid programmes to improve competitiveness, to support start-ups and growth.
- Subordinate or mezzanine loans for up to EUR 5 million for ordinary, developing companies.
- Funding for research and development (R&D) incentives.
- Possible land tax reduction from municipalities.



Eva Berlaus
Office Managing Partner

eva.berlaus@sorainen.com
ph +371 67 365 014

LITHUANIA

Why Lithuania

- Ranks 20 (out of 189 economies) in overall ease of doing business (World Bank *Doing Business 2016* report).
- One of the most cost-effective countries in Europe.
- Fastest productivity growth in the EU 2005-2013 (Eurostat).
- 6th in Europe and 13th in the world by 2016 Index of Economic Freedom Study by Heritage Foundation.
- Predictable and non-discriminatory legal and regulatory environment.
- Highly educated talent pool – 90% of population has secondary or higher education and speaks at least one foreign language.
- Prime geographical location – crossroads between North, East and West.
- Developed infrastructure – Lithuania has the best regional road network.
- Leading broadband speed in the EU and top 7 globally, 3rd most affordable internet in the EU.
- Available financial incentives mainly as tax deductions and subsidies.

Lithuania can offer

Corporate laws

- No residence requirements for management.
- One-person management sufficient; formation of board optional.
- Minimum share capital – EUR 2,500.
- No restrictions on shareholder nationality or residence.
- Most establishment steps can be done under a power of attorney.

Employment regulation

- Flexible rules for overtime work.
- Cost-efficient approach towards working time rules and compensation that the employer must pay for failure to pay salary on time.
- Social security system is run by the State and removes costs from the employer.
- Collective action rare; statutory regulation and court practice limit strike possibilities.
- Minimum salary – EUR 380.
- Average gross monthly salary – approx EUR 770.
- Favourable immigration regulation for hiring qualified non-EU nationals by using EU Blue Card system and for intra-group transfers of foreign employees.
- Undergoing liberalisation of labour laws.

Tax system

- Among the lowest corporate income tax rates (15%) in the EU (5% reduced rate in some cases).
- Standard personal income tax rate – 15%.
- Value added tax (VAT) rate – 21%.
- Social security contributions: employee rate – 3% withheld from gross salary; for employer – 27.98% on top of gross salary.
- Compulsory health insurance contributions: employee rate – 6% withheld from gross salary; for employer – 3% on top of gross salary.
- Participation exemption for withholding taxes on dividends.
- Unlimited carry forward of losses.
- Intra-group transfer of losses permitted.
- Binding advance tax rulings and advance pricing agreements available.

Investment incentives

- Corporate income tax and real estate tax exemption in free economic zones.
- Financial incentives for high value-added projects.
- Compensation of training and employment costs.
- R&D costs deducted three times.
- Possible land lease reduction and land tax exemption from municipalities.



Algirdas Pekšys
Partner

algirdas.peksys@sorainen.com
ph +370 52 644 894



Liudas Ramanauskas
Specialist Counsel

liudas.ramanauskas@sorainen.com
ph +370 52 639 800

BELARUS

Why Belarus

- Ranks 44 (out of 189 economies) in overall ease of doing business rating (World Bank *Doing Business 2016* report).
- Member of the Eurasian Economic Union (and part of the Eurasian Customs Union (EACU)) – free access to markets in Russia, Kazakhstan, Armenia and Kyrgyzstan.
- Favourable geographical location – crossroads between North and South, East and West.
- Highly educated labour force – 90% of population has secondary or higher education.
- Developed infrastructure, including road and rail networks.
- Available investment incentives, mainly as tax and customs exemptions.
- Free niches available in many market segments compared to other countries in the region.
- A wide choice of investment instruments, including public-private partnership.

Belarus can offer

Corporate laws

- Company registration takes 1 day; all establishment steps can be done under a power of attorney.
- No minimum share capital requirement for a limited liability company. Low minimum share capital requirements for other types of company³.
- Formation of share capital after company establishment.

Employment regulation

- Limited grounds for termination of employment contract at employee's initiative.
- Flexible rules for overtime work.
- Moderately priced labour force (minimum salary – approx EUR 110⁴; average monthly salary – approx EUR 340⁵).
- Comparatively low costs and flexible procedures in case of staff reduction.

Tax system

- Active reforms in taxation system resulting in lower administrative and overall tax burden.
- Low corporate income tax rate – 18% (with exceptions, eg 25% for banks and insurance companies).
- Low flat personal income tax rate – 13%.
- Value added tax (VAT) rate – 20% (reduced rates applicable).
- Social security contributions: for employee – 1% of gross salary; for employer – 34% on top of gross salary.
- Carry-forward of losses for 10 years possible.
- Agreements on avoidance of double taxation with 67 countries.

Investment incentives

- Preferential tax and customs regime in 6 free economic zones, rural areas and small towns, High Technology Park and China-Belarus Industrial Park.
- Exemptions from corporate income tax (during the first 5-10 years) and real estate tax for companies operating in rural areas, registered in free economic zones or residents of China-Belarus Industrial Park.
- Exemption from corporate income tax, VAT and other taxes and duties for company residents of High Technology Park.
- Simplified taxation system available to companies meeting requirements related to number of personnel and amount of gross revenue.

³ 100 basic units for closed joint-stock companies and 400 basic units for open joint-stock companies

⁴ As of 1 September 2016.

⁵ As of 1 September 2016.



Maksim Salahub
Partner

maksim.salahub@sorainen.com
ph +375 17 306 2102



Kiryl Apanasevich
Office Managing Partner

kiryl.apanasevich@sorainen.com
ph +375 17 306 2102

Our services

Sorainen offers full legal and tax advice for entering the Estonian, Latvian, Lithuanian and Belarus markets, including:

- selecting corporate and tax structure;
- setting-up a company/branch/representative office;
- corporate secretary services;
- advising on employment and regulatory issues;
- obtaining blue cards, residence and work permits;
- advising on legal requirements related to application for incentives;
- other legal and tax support.

Our experience

 <p>Full advice in relation to setting up a global technology centre in Vilnius (corporate and tax matters), including investment incentive matters and Investment Agreement – the first after many years in Lithuania.</p>	 <p>Full advice in relation to setting up an international shared service centre in Vilnius (corporate and tax matters), including investment incentive matters.</p>	 <p>Full advice in relation to setting-up a new technology and business support competence centre in Vilnius.</p>
 <p>Advice on converting a regulated investment firm into an Estonian commercial bank and passporting elsewhere in the Baltics.</p>	 <p>Advice on setting up a local subsidiary in Estonia and providing current legal advice on aspects of corporate law, procurement law and others.</p>	 <p>Advice on setting up a branch in Estonia for company business activities in construction of a 300MW CFB boiler and providing legal advice on employment, taxation and other related matters.</p>
 <p>Continuous support in expanding its business in the Baltics.</p>	 <p>Advice on setting up companies in Latvia and Lithuania and providing legal advice on all related legal matters.</p>	 <p>Advice on setting up companies in the Baltics and providing legal advice on all related legal matters.</p>
 <p>Assistance on setting up Baltic entities and providing continuous legal advice to group entities throughout the Baltics.</p>	 <p>Advice on Investment Agreement with the Republic of Belarus on Minsk World, a landmark development project in Minsk..</p>	 <p>Advice on Investment Agreement with the Republic of Belarus supporting a manufacturing joint venture.</p>



SORAINEN

ESTONIA LATVIA LITHUANIA BELARUS

Who we are

- Leading fully integrated regional law firm in Estonia, Latvia, Lithuania and Belarus.
- Established in 1995, today Sorainen numbers more than 170 lawyers and tax advisers.
- Regional know-how and quality management system, the first to be ISO-certified among Baltic and Belarus law firms.
- 10 integrated regional teams covering all areas of business law and 6 regional sector groups.
- Experience from over 55,000 transactions.

Our awards



The head of the Sorainen Investment Incentives Practice is Algirdas Pekšys.
Local heads of the Sorainen Investment Incentives Practice are:

ESTONIA



Karin Madisson

karin.madisson@sorainen.com

Pärnu mnt 15
10141 Tallinn
ph +372 6 400 900

LATVIA

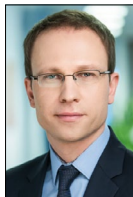


Eva Berlaus

eva.berlaus@sorainen.com

Kr. Valdemāra iela 21
LV-1010 Riga
ph +371 67 365 000

LITHUANIA



Algirdas Pekšys

algirdas.peksys@sorainen.com

Jogailos 4
LT-01116 Vilnius
ph +370 52 685 040

BELARUS



Maksim Salahub

maksim.salahub@sorainen.com

ul Internatsionalnaya 36-1
Minsk 220030
ph +375 17 306 2102

Please note that the Sorainen Investment Card is compiled for general information only, free of obligation and free of legal responsibility and liability. It was prepared on the basis of information publicly available as of 1 September 2016. The Investment Card does not cover laws or reflect all changes in legislation, nor are the explanations provided exhaustive. Therefore, we recommend that you contact Sorainen or your legal adviser for further information.