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TALKING TAX: Capital duty in Lithuania?

Jun 06, 2007
By Mantas Petkevicius [Sorainen Law Offices]

In the beginning of April the Lithuanian Ministry of Justice adopted new regulations on notaries' fees, which came into force in mid-April. The underlining idea of the amendments was to reduce notaries' fees. However, the initial idea took a weird turn. To be sure, notaries' fees related to the certification of transactions or documents for natural persons have been lowered. However, those related to the activities of the legal entities have been increased, in some cases dramatically. One of the major changes was an introduction of the 0.3 percent - 0.5 percent fee calculated on the amount of increased or decreased share capital in a company.

Consequently, changes in share capital amounting to, say, 10 million euros would imply a notary's fee in the region of 30,000 – 50,000 euros. To compare, the fee under the previous regulations would amount to about 100 euros. Not surprisingly, businesses, in particular banks, are not happy about the new charges. In fact, business dissatisfaction forced the Ministry of Justice to revise the amendments and adopt further changes. The newest version of the regulations on notaries' fees, which should be applicable from June 15, capped notaries' fees related to the increase/decrease of share capital at about the 300 euro level. An additional state duty of about 30 euros will be levied by the Commercial Register for registering the change of the Articles of Association of the company.

It might be pointed that the respective state, or notaries' fees, in other Baltic states are even less significant. Changes of share capital in Latvia are subject to state duties in the amount of about 55 euros. Notaries' fees are not applicable in such case. As regards Estonia, as of the year 2007 state duties have also been considerably lowered, and currently an increase of share capital is subject to about a 20 euro state duty. Changes in the share capital also usually involve a very small notary fee in Estonia.

It is noteworthy that the new Lithuanian regulations introduce one even more significant development: as they enter force any notary's fee irrespective of the nature and value of the transaction would be capped at around 14,500 euros. This is of particular importance in real estate transactions, which can involve significant notary expenses (in a real estate transaction the notary's fee amounts to 0.5 percent of the transaction value). It looks like, in the end, businesses came out a winner.

Mantas Petkevicius is a senior associate at Sorainen Law Offices in Vilnius

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