



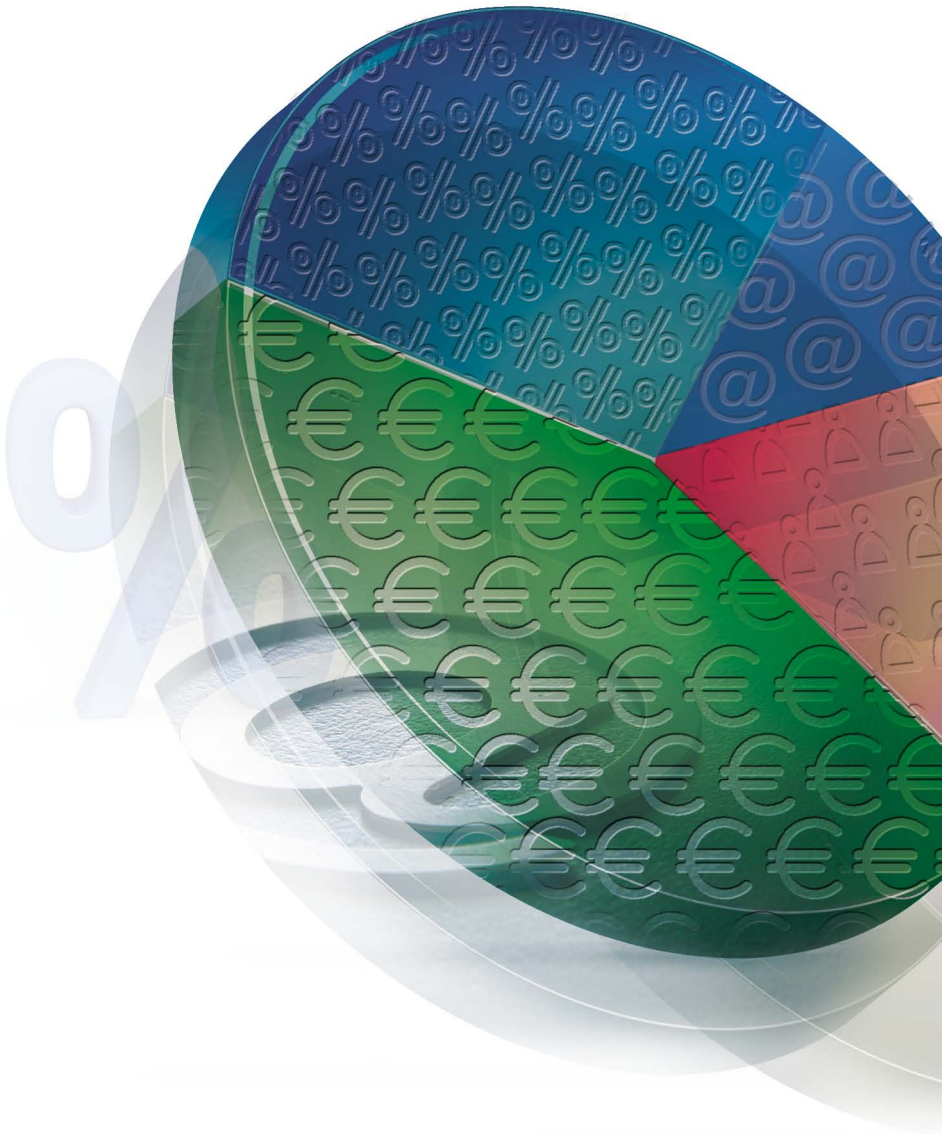
SORAINEN

EUROPEAN LAW FIRM OF THE YEAR 2016

Awarded by *The Lawyer*

INVESTMENT CARD

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



Effective 1 April 2017

Indicator	Estonia	Latvia	Lithuania	Belarus ¹
Ease of doing business (World Bank Report 2017 ranking)	12	14	21	37
Registering property (World Bank Report 2017 ranking)	6	23	2	5
Enforcing Contracts (World Bank Report 2017 ranking)	11	23	6	27
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 in 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 470	EUR 380	EUR 380	EUR 130
Average gross monthly salary (estimate)	EUR 1,182	EUR 894	EUR 825	EUR 390
Corporate income tax	0% on retained or reinvested earnings / 20% postponed to payment of dividends	15%	15% (5% reduced rate)	18% (with exceptions)
Taxation treaties with	57 countries	59 countries	53 countries	67 countries ²
Incentives available	Yes	Yes	Yes	Yes

¹ http://www.nalog.gov.by/ru/world_bank/view/belarus-v-rejtinge-vsemirnogo-banka-vedenie-biznesa-2017-24556/

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

ESTONIA

Why Estonia

- Ranks 2nd in Europe and 6 worldwide in 2017 Index of Economic Freedom Study by Heritage Foundation.
- Ranks 22nd worldwide in 2017 Corruption Perception Index by Transparency International.
- 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 company cost structure.
- 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.
- 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.
- Few trade unions.
- Favourable immigration regulations for hiring qualified non-EU nationals and for intra-group transfers of foreign employees.

Tax system

- 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 180 monthly.
- Social security contributions: employer pays social tax of 33% from gross salary plus 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

- The cost of running a business in Estonia 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 — transnational digital identity available worldwide to those 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

- Predictable legal and regulatory environment.
- Prime geographical location and developed port and railroad infrastructure – crossroads between North, East and West.
- Capital of Latvia: Riga – a key business hub with excellent airline connectivity.
- 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 in company share capital and special temporary residence permit for establishing start-ups.

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.
- Most establishment steps can be done under a power of attorney.

Employment regulation

- Highly 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.
- 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 52,400 threshold annually.
- Salary over EUR 52,400 is subject to solidarity tax: employee rate – 10.5% of gross salary, employer rate – 23.59% on top of gross salary.
- Losses incurred in 2008 or after may be covered in chronological order from the taxable income of following tax periods for no more than 75% of taxable income subject to CIT.
- 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 blacklisted jurisdictions).
- Triple deduction of 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 and free ports.
- Special measures and tax framework available for developing start-ups.
- 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 up to EUR 5 million for ordinary, developing companies.
- Funding for 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

- One of the most cost-effective countries in Europe.
- 8th in Europe and 16th worldwide in 2017 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 / higher education + speaks at least one foreign language. Near 100% proficiency in English among young professionals.
- Lithuania has the highest ratio of young people in CEE.
- Prime geographical location – crossroads between North, East and West.
- Developed infrastructure – Lithuania offers the best regional road network.
- Leading broadband speed in the EU + 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.
- 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.
- 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.
- 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

- 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

- 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 in 1 day; all establishment steps can be 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 130; average monthly salary – approx EUR 390).
- 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 apply).
- 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.

Investment incentives

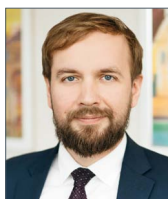
- Preferential tax and customs regime in 6 free economic zones, rural areas and small towns, High Technology Park and China-Belarus Industrial Park. New investment projects with preferential regimes are in the process of establishment (Belbiograd).
- Exemptions from corporate income tax (during the first 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 (approx EUR 1,120) for closed joint-stock companies and 400 basic units (approx EUR 4,490) for open joint-stock companies



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 on setting up a global technology centre in Vilnius (corporate and tax), including investment incentive matters and Investment Agreement.</p>	 <p>Full advice on setting up an international shared service centre in Vilnius (corporate and tax), including investment incentive matters.</p>	 <p>Full advice on 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 advising on aspects of corporate law and procurement law.</p>	 <p>Advice on setting up a branch in Estonia for company business activities in construction of a 300MW CFB boiler and advising on employment, taxation and other legal matters.</p>
 <p>Continuous support in expanding its business in the Baltics.</p>	 <p>Advice on setting up companies in Latvia and Lithuania and advising on all related legal matters.</p>	 <p>Advice on setting up companies in the Baltics and advising 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>

Who we are

Sorainen is a fully integrated law firm with offices in Estonia, Latvia, Lithuania and Belarus with over 300 people, incl 28 partners and over 150 other lawyers and tax advisers in total. Uniquely, the firm operates integrated regional teams covering all business related legal practice areas and a unified ISO 9001 certified quality management system.

With full integration, synergising the resources of all four offices enables us to provide seamless service to clients in local and cross-border assignments, making the firm an optional choice especially for regional projects and for clients with operations in several Baltic States or Belarus.

The core purpose of Sorainen is to increase prosperity in the Baltic States and Belarus by helping clients succeed in business. Looking ahead, Sorainen strives to support entrepreneurs and corporations to further this same core purpose.

As **the Baltic countries** develop, the service sector is becoming an ever more important player in their economies.

Less knowledge-intensive services, such as transport and tourism, still make up the largest share in the export structure; however, more knowledge-intensive services are increasingly important. **Latvia and Estonia** are leaders in the field with financial services, insurance and pension services, telecommunications, and computer and information services.

Since last year, **Lithuania's** logistics and financial markets have improved the most compared with other countries in the region. Lithuania is emerging as a regional leader for nearshoring activities, as the last six years have been marked by the rapid expansion of business service centres there, according to Invest Lithuania, the government agency for attracting FDI.

Despite differences among countries, some categories of service exports have been expanding rapidly in **all three Baltic countries**. These include eg professional and management consulting services plus technical and trade-related services. The business environment in the Baltic countries is expected to benefit from the Rail Baltica project, which aims at delivering a rapid, safe and environmentally friendly rail connection to Europe.

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

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