



Tax&Legal Highlights

Lithuania

Major changes to the Law on Corporate Income Tax (hereinafter – Law on CIT) which took effect as from 1 January 2018:

- **Commercialization of R&D inventions.** Profit derived from use of intangible assets (e.g. copyright computer program or patented invention) generated through R&D activities is subject to reduced corporate income tax rate of 5%, subject to conditions.
- **Extension of investment project incentive.** Companies are able to deduct 100% of their taxable profit under the investment project incentive (previously, only 50% of taxable profit may be deducted), i.e. resulting to 200% super deduction on CAPEX. In addition, application of investment project incentive is extended for 5 years, i.e. until 2023.
- **Holding threshold** allowing to qualify for participation exemption applied in case of sale of shares **is decreased** from 25% to 10%

Amendments to Lithuania Law on Companies will come into force on 1 January 2018 - the procedure for granting shares to employees foreseen

Amendments to Lithuania Law on Companies will come into force on 1 January 2018. Amendments state the simplified procedure for granting shares to employees in order to motivate them.

Key aspects of granting shares to employees:

- Shares may be granted to employees of company or its parent or subsidiary;
- Shares may be granted to employees free of charge or partly remunerated;
- Shares may be granted only to natural persons;
- Shares may not be granted to shareholder of company or its parent or subsidiary who already owns at least 5 percent of the company's voting shares;
- Shares are granted by issuing new shares (ordinary shares, preferred shares or ordinary shares of employees) or by transferring shares held by the company;
- A special reserve of company's profit for the grant of shares must be composed or the company must have its own shares (no more than 10 percent of all shares);
- Company must approve Rules of Granting Shares, in which the share issuance procedure will be discussed;
- An important point is that the right to initiate to prepare the Rules of Granting Shares will have not only company's shareholders, who held shares have at least 1/20 of all votes attached to the shares, head of the company, the management board and supervisory board, but also group of company's employees, which comprises not less than 1/3 of all company's employees. Thus, by amendments to the law, employees are encouraged to become more active in the management of the company;
- Rules of Granting Shares will be published on the company's website or company will have to ensure access to it for company's shareholders, employees and/or members of the body and if stated by the Rules other persons in company's registered office. When Rules of Granting Shares states the conditions (constraints) of the granted shares, the document confirming these conditions (constraints) shall be submitted to the administrator of the Register of Legal Person within 10 working days after the date of resolution of the General Meeting of Shareholders on approval of the Rules for Granting Shares.

Other important amendments to the Lithuanian Law on Companies:

- It is stated that only public companies need to notify Register of Legal Persons in case of change of sole shareholder or when all shares of company are acquired by one person i.e. in the Register of Legal Persons there will no longer be any public data about sole shareholder of private limited liability company. However, private limited liability companies remain obliged to notify information system on participants of legal entities (JADIS) about shareholders changes.
- Head of companies, whose shares or part of shares, representing more than 1/2 all votes at general shareholders meeting, are owned by the state or municipality, as well as to subsidiaries of such companies, will be recruited only for a term of 5 years and the same person to be the

head of the same group could be elected for no more than two consecutive terms.

- Newly established private limited liability companies are exempted from the obligation to urgently take remedies when company's equity capital becomes less than 1/2 the authorized capital specified in the Articles of Association. Private limited liability companies from which establishment have not passed 18 months will have to deal with mentioned situation not within 3 months as it is now, but within 12 months from the day the board become aware or should have become aware of the situation.

Amendments to Lithuania Law on Companies will come into force on 1 July 2018 – restriction on becoming the members of supervisory and management board

On 21 November 2018 additional amendments to the Law on Companies, which will come into force on 1 July 2018 have been approved.

After 1 July 2018 when appointing new supervisory or management board or individual members of these bodies, auditor or an employee of an audit firm, who participates and/or participated in the audit of the company's financial statements and from which performance 2 years have not passed cannot be elected as a member of supervisory or management board. Also, members of subsidiary's management body could not be elected as members of parent company's supervisory board. Please, pay attention that supervisory and management boards elected until 1 July 2018 perform its functions until the end of its cadencies or until new bodies are elected.

Amendment to Law on Competition

Draft of Law on Competition was passed to Parliament on 25 November 2017 to consider it under an urgent procedure.

By amendment it is sought to reduce the administrative burden for economic entities intending to submit motion of concentration:

- Combined aggregate income will be increased from the current EUR 14.5 million to EUR 20 million and the aggregate income of each of at least two undertaking concerned from EUR 1.45 million to EUR 2 million;
- Only income received in Lithuania should be calculated of all economic entities participating in the concentration (both established in Lithuania and foreign entities);
- The annual financial accounts of each undertaking participating in concentration for only last year prior to concentration should be submitted to Competition Council;
- The associated persons will be related to 1/2 (currently 1/3) and more shares, assets, voting or other rights ownership;
- There will be provision that two or more transactions that are made by the same persons or companies within a 2-year period will be treated as one and the same concentration, that occurs at the time of the last transaction;
- The procedure for the suspension of examination of motion of concentration will be stated.

Also, by this draft it is sought to harmonise the provisions of Law on Competition with best international practises and the European Union acts and to create more effective conditions for the procedure of concentration review.

Amendment were adopted and it came into force on 1 January 2018.

Draft of Law on Advertising, which states additional requirements for signboards and outdoor advertising, has been registered

Draft of Law on Advertising registered in the Parliament on 7 December 2017. By this amendment signboard and outdoor advertising definitions are stated. Outdoor advertising will also be considered an advertisement, which presentation facilities are in the premises (in the shop windows, inner side of the windows and doors), but is visible from the outside and information in the signboard.

It also states cases in which permit to install outdoor advertising is not required:

- When advertisement presentation facilities are in building with roof and rear wall or without borders and it is registered with a real estate register, and on these advertisement presentation facilities presented advertisement is related to activities carried out in that building;
- When advertisement presentation facilities are on premises, but advertisement is visible from the outside;
- When outdoor advertising is presented on vehicle, which is installed as a place for sale of goods or used for its direct purpose for transport of persons and/or carriage of goods, except the cases when advertisement is presented in special advertisement presentation facilities, which is installed on the vehicle;
- When signboard is installed by notary or bailiff;
- When installed signboard is not bigger than 0,3 m²;
- When signboard is installed according to requirements set by Government of the Republic of Lithuania authorized institution, on which or in which only name of advertiser and/or name, surname of advertiser or name of place of advertiser's purchased goods or provided services (store, hotel, hairdresser, etc.), or name of purchased goods or provided services (footwear, car repairs, etc.) and/or working time is provided.

Several drafts, related to waste management, have been registered

The Minister of the Environment implements a project, by which unified product, packaging and waste accounting information system (hereinafter – GPAIS) is developed.

GPAIS will help to ensure effective implementation of State Waste Management Plan, efficient monitoring, control of waste generation and management accounting in companies and planning of further development of waste management system. By drafts it is proposed to impose an obligation for economic entities to keep records and submit reports to authorized institution of Ministry of the Environment using GPAIS as well as an obligation for packaging producers, which keep records, to register and to

Tax&Legal Highlights

the companies, which collects and/or transports waste, to deliver collected or transported waste to corresponding waste treatment facilities. Records keeping and report submission and its checking through GPAIS should be a faster, simpler and more innovative way for economic entities to comply with its obligation to keep records and submit report, and competent professionals to effectively check the reported data by reducing the time spent on inspection.

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