

## **LAW OF LITHUANIA**

Lithuanian law is a part of a legal system of Lithuania. It is largely civil, as opposed to a common, law system, based on epitomes in the French and German systems. The Lithuanian legal system is grounded on the principles laid out in the Constitution of the Republic of Lithuania and safeguarded by the Constitutional Court of the Republic of Lithuania.

### **CIVIL AND COMMERCIAL LAW**

The civil law and commercial law is codified in a single legal act - the Civil Code of the Republic of Lithuania[1] (Lithuanian: *Lietuvos Respublikos civilinis kodeksas*) which is in force since 1 July 2001. It is largely based on the Dutch civil law. The commercial law in Lithuania is of an increasingly excellent drafting quality and the market in Lithuanian legal services is now increasingly competitive.

### **COURTS & JUDGMENTS**

The Lithuanian judiciary is composed of the Supreme Court and subordinate courts (the Court of Appeals, district courts, and local courts), as well as the Constitutional Court, which decides on the constitutionality of acts of the Seimas, the president, and the government. The Office of the Procurator General is an autonomous institution of the judiciary. Creation of special courts, such as administrative or family courts, is allowed, although establishing courts with "special powers" is forbidden in peacetime. The Lithuanian legal system is based on civil law.

### **LAW**

Lithuanian law protects foreign investments and investors' rights, and the judicial system is generally effective at upholding the enforcement of contracts. Foreign investors are free to enforce their rights by applying to the courts of Lithuania or directly to the International Center for Settlement of Investment Disputes under the Washington Convention of 1965.

Foreign investors have the right to repatriate profits, income, or dividends, in cash or otherwise, or to reinvest the income without any limitation, after paying taxes. The law establishes no limits on foreign ownership or control.

State institutions have no right to interfere with the legal possession of foreign investors' property. In the event of justified expropriation, investors are entitled to compensation equivalent to the market value of the property expropriated. The law obligates state institutions and officials to keep commercial secrets confidential and requires compensation for any loss or damage caused by illegal disclosure.

## **THE LAW ON INVESTMENT SPECIFICALLY PERMITS THE FOLLOWING FORMS OF INVESTMENT IN LITHUANIA:**

- 1) Establishment of an enterprise or acquisition of a part or whole of the authorized capital of an operating enterprise registered in Lithuania;
- 2) Acquisition of securities of any type;
- 3) Creation, acquisition, and increase in the value of long-term assets;
- 4) Lending of funds or other assets to business entities in which the investor owns a stake, allowing control or considerable influence over the company; and
- 5) Performance of concession or leasing agreements.

### **Company Law**

#### **Types of companies**

The following types of legal entities are permitted to operate in the Republic of Lithuania:

1) individual enterprise (sole proprietorship) (PI); 2) general partnership (TUB); 3) limited partnership (KUB); 4) public limited liability company (AB); 5) private limited liability company (UAB); 6) state enterprise; 7) municipal enterprise; 8) agricultural company; 9) co-operative enterprise; 10) European company; 11) European Economic Interest Grouping.

The most common method of investment in the Republic of Lithuania is through the incorporation of a private or public limited liability company (UAB or AB) under the Law on Companies of the Republic of Lithuania or acquisition of shares in existing Lithuanian companies. Still, the most popular form of doing business in Lithuania is through a UAB. A comparison of the main features of both types of companies is presented in the table below:

#### **Company registration**

Registration of a UAB requires taking the following five steps: (1) lodging of an application for reservation of the UAB name; (2) preparation of the incorporation documents; (3) opening of an accumulative bank account; (4) submission of documents for certification by a notary public; (5) registration of the UAB with the Company Register Office. The estimated time for incorporating a UAB is about 3 weeks after all the incorporation documents are duly executed.

#### **Shareholders**

The shareholders of AB or UAB may be Lithuanian or foreign individuals or legal entities. There are no restrictions or special encumbrances set forth in respect to foreign shareholders under the Law on Companies of the Republic of Lithuania. Lithuanian Laws do not restrict in any way the participation of foreigners in the

management of Lithuanian companies. Foreign citizens may be freely elected either to the supervisory council or the board or the position of CEO. However, if such foreign citizens are employed in the company (employment is mandatory only for the CEO), they must obtain temporary residence permits. Such permits are normally valid for up to one year, but for EU citizens they may be issued for up to five years (permits are renewable).

## **Employment Law**

### **Conclusion of an employment contract**

The employment contract must be in writing and in accordance with the model form established by the law and it must contain essential provisions, i.e. those on which parties must agree to validate the employment contract, and other provisions. The essential provisions are: the place of work and work functions. Separate types of employment contracts can also provide for other essential provisions (e.g. term of contract, seasonal work, etc.). It is forbidden to enter into a fixed-term employment contract, if the work is of a permanent nature. Besides the essential provisions, in every employment contract both parties are required to agree on the conditions of payment for work.

### **Termination of an employment contract**

**The Labour Code of the Republic of Lithuania regulates the dismissal of an employee. The main types of employment termination are the following:**

1) Liquidation of an employer without a legal successor; 2) death of an employee; 3) agreement between the parties; 4) expiration of an employment contract; 5) notice of an employee; 6) notice of an employer; 7) initiative of an employer without notice; 8) other cases provided by the law. If there is no fault of the employee, the employment contract may be terminated by the employer for good reason, e.g. due to circumstances related with the employee's qualifications, professional competence or behavior at work. The Contract may be also terminated for economic or technological reasons, due to structural changes at the work place etc. The employer dismissing an employee at the employer's initiative without fault on the part of employee must give him a written notice at least 2 months before the termination date.

#### **Work hours, overtime work, remuneration**

The normal work hours for an employee may not exceed 40 hours per week. The daily period of work should not exceed eight working hours. A five-day work week is standard, but it may be extended to six days. Generally overtime is prohibited. An employer may apply overtime hours only in exceptional cases, which are specified in the Labour Code of the Republic of Lithuania. In any case the employee's overtime hours shall not exceed four hours in two consequent days and 120 hours per year for each employee. A different annual duration may be established in the collective agreement for overtime hours, however, not exceeding 180 hours per year. The pay for overtime and night work shall be at least one and a half times the hourly pay/monthly wages established for the employee.

The general minimum monthly wage is LTL 800 (approx. EUR 231).

### **Vacation**

The minimum annual paid vacation is 28 calendar days, but is increased to 35 calendar days for employees under the age of 18, a single parent raising a child under the age of 14 or disabled child under the age of 18. Normally, all employees are entitled to their annual paid vacation leave after they have worked in the company continuously for an initial period of six months.

### **Work permits for aliens**

Foreign citizens (except EU citizens) who are not permanent residents of Lithuania may work temporarily in Lithuania under an employment contract provided they have a work permit issued by the Lithuanian Labour Exchange at the Ministry of Social Security and Labour. EU citizens are released from the obligation to obtain a work permit, but those who intend to reside in Lithuania for more than three months within a half-year period must obtain a temporary residence permit. It is not possible to apply for a residence permit while staying in Lithuania on a short-term visit visa.

*Source:*  
*bnt Businessman Time system*  
*and*  
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