

## **Information with Respect to Establishment of a Private Limited Company in Lithuania**

### **Private Limited Stock Company (“Uždaroji akcinė bendrovė” or “U.A.B.”) in Lithuania**

The Private Limited Stock Company (hereinafter “UAB”) is one of the most common types of legal entities used for doing business in Lithuania.

According to the Lithuanian Law on Stock Companies, a UAB is a company that has its share capital divided into private limited company shares. The shareholder of a UAB is not personally liable for the obligations of the UAB. Instead, a UAB is liable for the performance of its obligations to the extent of all of its assets.

The minimum investment required for establishment of a UAB is 10, 000 Lithuanian litas (LTL) which amounts to approximately 2, 899 EUR. It is the minimum share capital required for establishment of a UAB.

The maximum number of shareholders of a UAB is 100. A shareholder may freely transfer the shareholder’s shares to another shareholder of the UAB. Upon transfer of shares to third persons, the shareholders of a UAB have a priority right to purchase the shares sought to be transferred by the selling shareholder.

The obligatory management bodies at a UAB are the General Shareholders’ Meeting and the head of the Company’s administration (the UAB “Director”). Also, a Management Board and Supervisory Council may be formed by a UAB if such institutions are provided for by the UAB’s statutes.

The General Shareholders’ Meeting is the highest management body of a UAB, which decides on such questions as appointment of members of a Management Board or a Director; approves amendments to the UAB’s corporate statutes and the approval of annual financial reports; etc. The General Shareholders’ Meeting must be held at least once a year.

The Management Board is the directing body of a UAB, which represents and directs the UAB, as well as organizes the accounting of the UAB. In such case that a Management Board is not formed in a UAB, the director of the UAB must carry out the duties of the Management Board.

After each financial year a UAB must carry out an audit in case two of the following conditions are fulfilled:

- 1) Income from sales exceeds 5, 000, 000 LTL (about 1, 448, 100 EUR) during the financial year;
- 2) Average number of employees exceeds 50 per financial year;
- 3) Accounted value of assets exceeds 2, 500, 000 LTL (about 724, 050 EUR).

A UAB may issue material or non-material shares. Material shares are the physical documents printed in accordance with the Lithuanian laws; non-material shares are the respective recordings made in a UAB’s internal corporate share register.

## **Founding of a Private Limited Company in Lithuania**

### **A) Documents and actions required in order to enter a new Lithuanian company in the Lithuanian Company Register in Lithuania.**

The Founding Agreement must be signed by all of the founders of a Lithuanian company. The signatures must be notarized in Lithuania before a sworn notary or at the Lithuanian diplomatic representation in a foreign country. The notarization of the Founding Agreement may also be made abroad, but then the founding agreement should have an “Apostille” attached. If the founder is a single individual, then a “Founding Act” must be signed instead of the Founding Agreement.

Please note that it is difficult to obtain an appointment with a Lithuanian notary on short notice so preparations for a notary to notarize a Founding Act in Lithuania should be made well in advance if at all possible.

The Founding Agreement (or Founding Act) of a Lithuanian limited company must include the following information:

- 1) The founders (names, residence addresses, personal codes of individuals; names, registration codes, addresses of the legal persons and names of individuals representing legal persons);
- 2) Name of the company;
- 3) Duties and powers of the founders in the company foundation process;
- 4) Individuals who can represent the company in the company foundation process, and their powers;
- 5) Amount of the founding capital, nominal value of shares, price of an issue;
- 6) Division of shares among the founders, amount by classes and types of the shares.
- 7) The rights given by a share to shareholders;
- 8) Order and terms of payments for shares, fine for delay to making payments (minimum 0.05 per cent of the delayed amount per each day of delay);
- 9) Order to convene founding shareholders’ meeting;
- 10) Order of the presentation of the founding documents, and information, related to the convention of the founding shareholders’ meeting, to the founders of the company;
- 11) Compensation of the founding expenses and remuneration for the founding;
- 12) Procedure of the dispute settlement between founders;
- 13) Date of the conclusion of the Founding Agreement.

The founders must open a bank account in the name of the newly-founded company into which monetary contributions must be paid. The minimum share capital is 10, 000 LTL (approximately 2, 896 EUR) for a Private Limited Company which must be paid-in to the new Company’s bank account before the registration of the Company will be finalized by the Company Register.

Contributions may be made in either monetary or non-monetary forms although non-monetary contributions must be approved by a sworn evaluator. The minimum capital of 10,000 Lit, must, however, be paid-in to the new Company in the form of cash.

We recommend Hansa Bank as the bank of choice for a new Company in Lithuania as it is more able to respond to, and work with, English-speaking clients than many other Lithuanian banks.

The founders must convene a Founding Shareholders' Meeting after the contributions are made. The Founding Shareholders' Meeting must elect members of the management bodies of a new Lithuanian company. The Meeting must also confirm the new statutes of the Company. The Protocol of the Founding Shareholders' Meeting must be signed after the meeting.

The founders must confirm and sign Articles of Association (Statutes) for the new Company.

Before the new Company may be registered at the Company Register of Lithuania, the name of the Company must be registered at the State Patent Bureau. After the name is registered, the State Patent Bureau issues a name registration certificate.

Permission from the owner of leased or rented facilities (the landlord) to use the address for the Company's registration must be received. In such case that one of the founders is the owner of the facilities, the ownership documents for the premises should be presented to the Company Register.

Permission from local City or municipal authorities to carry out economic activities must be received. In order that the permission was issued, the application must be submitted to the local municipal authorities with jurisdiction over the place designated for the main activities of the company.

### **State Fees and Charges in Relation to Establishment of a Legal Entity in Lithuania**

The **fee of State Patent Bureau** for obtaining the Company's name registration certificate is 83 Lt (24 EUR).

The following **State fees** must be paid with respect to the registration of a Lithuanian Company:

- 1) Branch of a foreign legal entity–300 LTL (approximately 87 EUR);
- 2) Private Limited Company–500 LTL (approximately 145 EUR);
- 3) Public Limited Company–500 LTL (approximately 145 EUR).