

# Investment Card

Doing business in the Baltics –  
a snapshot of the most relevant  
commercial conditions

As of  
1 January  
2024

**SORAINEN**



Indicator	Estonia	Latvia	Lithuania
<b>Ease of doing business</b> (World Bank Report 2020 ranking)	18th	19 <sup>th</sup>	11 <sup>th</sup>
<b>Registering property</b> (World Bank Report 2020 ranking)	6th	25 <sup>th</sup>	4 <sup>th</sup>
<b>Enforcing Contracts</b> (World Bank Report 2020 ranking)	8th	15 <sup>th</sup>	7 <sup>th</sup>
<b>Competitiveness and neutrality of tax system</b> (International Tax Competitiveness Index 2023 ranking)	1st	2 <sup>nd</sup>	9 <sup>th</sup>
<b>Corruption rate in public sector</b> (Corruption Perception Index 2023 ranking)	14th	36 <sup>th</sup>	33 <sup>rd</sup>
<b>Preparedness for preventing cyber threats and managing cyber incidents</b> (Global Cybersecurity Index 2020 ranking)	3rd	15 <sup>th</sup>	6 <sup>th</sup>
<b>Economic freedom</b> (2024 Index of Economic Freedom Study ranking)	8 <sup>th</sup> worldwide and 4 <sup>th</sup> in Europe	20 <sup>th</sup> worldwide and 13 <sup>th</sup> in Europe	15 <sup>th</sup> worldwide and 10 <sup>th</sup> in Europe
<b>Time taken to register company</b>	From 1 business day online with ID card	From 1 business day	From 3 business days
<b>Minimum share capital</b> (private limited liability companies)	EUR 0,01	EUR 0,01	EUR 1,000
Residence/citizenship requirements for management/shareholders	None	None	None
Minimum gross monthly salary	EUR 820	EUR 700	EUR 924
Average gross monthly salary (estimate)	EUR 1,832	EUR 1,623 (Q1 2024)	EUR 2,097.30
Corporate income tax	0% on retained or reinvested earnings/ 20% postponed to payment of dividends	0% on retained or reinvested earnings/ 20% postponed to payment of dividends	15% (reduced rate 5%)
Taxation treaties with	62 countries <sup>1</sup>	63 countries <sup>2</sup>	58 countries
Currency	Euro	Euro	Euro
Incentives available	Yes	Yes	Yes

<sup>1</sup><https://www.rahandusministeerium.ee/en/tax-and-customs-policy/overview-estonian-bilateral-conventions-avoidance-double>

<sup>2</sup><https://www.fm.gov.lv/en/tax-conventions>





## Estonia

## Why Estonia?

- Estonia is the knowledge-economy leader out of all the EBRD regions and a leading country in international cybersecurity
- European Union member with EU law adopted and governing much of the legal sphere
- Ranked the 14<sup>th</sup>-best country in Europe for startups in 2021 (Statista study based on StartupBlink data)
- Politically stable modern market-based economy
- Predictable legal and regulatory environment
- Minimal bureaucracy and no discrimination between local and foreign investment
- Good location and connections to the whole Baltic Sea region and between East and West
- Some of the cleanest air in the world, with almost 50% of its territory covered with forests
- Front-runner in IT and communications technology solutions
- Highly skilled labour force – 42% with higher education (Statistics Estonia 2021)
- Competitive company cost structure
- Electronic ID, e-residency solutions for foreign citizens, digital signature and access to e-government resources for eligible non-residents
- Most transactions and administration can be done electronically by ID card

## Estonia can offer

## Corporate laws

- Estonian companies can be registered, established and administered (e.g. to file annual reports, to register corporate changes) entirely online on the Estonian Company Registration Portal without having to go to a notary or another official, if the persons signing the documents required possess an e-Residency card or ID-card
- Cost of running a business in Estonia is far lower than in neighbouring Scandinavian countries
- In case of private limited liability companies, share capital contributions require a credit or payment institution account only if the amount exceeds EUR 50,000. Such accounts can be opened in any EEA state.
- Only one management board member required
- Supervisory board is mandatory only for public limited liability companies
- Meetings can be held via e-mail, letter or virtually using video conferencing
- Share transfers may be done either in notarised form or without any formal requirements if certain additional criteria are met

## Employment regulation

- Simple and straightforward labour legislation
- Highly skilled workforce – 88% of adults speak at least one foreign language (Statistics Estonia 2021)
- Wide freedom of contract
- Few trade unions and collective agreements
- Favourable immigration regulations for startups for hiring qualified non-EU nationals and intra-group transfers of foreign employees
- Low costs for redundancy (compensation of up to one month's average wages) and notice of termination (15 days to 3 months)
- Strong social security and good public support system for unemployment and redundancy

## Tax system

- Dividends, interest and royalties not subject to withholding tax
- Buildings not subject to real estate tax (only land is)
- Value added tax (VAT) – 22%; reduced rates – 9%, 5%
- Personal income tax rate – 20%, including capital gains
- Resident companies pay CIT deferred to actual distribution of profits
- Social security contributions: employer pays social tax (33% of gross salary) plus unemployment contribution (0.8%) and withholding of employee's unemployment contribution (1.6% of gross salary)
- Online tax declarations and communication with the tax board
- Easy to claim VAT refunds



## Estonia

## Investment incentives

- Among the leading countries in Central/Eastern Europe in terms of foreign direct investment per capita
- Resident companies can apply for grants from EU structural funds
- Wide range of national grants available in order to support competitiveness and innovation – e.g. a foreign recruitment grant to support recruitment of foreign specialists in information and communication technology, or in science and engineering
- Estonia offers e-Residency – a transnational digital identity available worldwide for managing a location-independent business online – and company establishment and administration online
- Favourable migration policy for startups – employees of startups are exempt from the applicable national migration quota
- Estonia offers the Startup Visa programme, allowing non-EU nationals to come and work for Estonian startups, to relocate existing startups or to establish new ones in Estonia without having to fulfil various requirements in force for acquiring a residence permit. The visa can also be issued to an applicant's close family members under the same favourable conditions.



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## Latvia

## Why Latvia?

- Predictable legal and regulatory environment
- Prime geographical location, and developed port and railroad infrastructure
- The capital of Latvia, Riga, is a key business hub with excellent air connectivity
- Financial incentives available, mainly as subsidies
- Favourable environment for running service centres for foreign businesses
- Temporary residence permits<sup>3</sup> for financial investment, investment in real estate or in company share capital, and special temporary residence permits for establishing startups

## 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 steps involved in establishment can be done under power of attorney
- Meetings can be held virtually by using video conferencing

## Employment regulation

- Highly skilled workforce, mostly speaking at least one foreign language
- Possibility to apply flexible forms of working time organisation (e.g. aggregated working time, etc.)
- Social security system is run by the state and removes costs from the employer
- Low rate of trade union membership in the private sector
- Comparatively short redundancy termination periods (up to two months)
- Favourable immigration regulation for hiring qualified non-EU nationals (including EU Blue Card system) and for intra-group transfers of foreign employees

## Tax system

- Corporate income tax 0% on retained or reinvested earnings/ 20% postponed to payment of dividends
- Dividends received by a Latvian company can be distributed without further tax liability (except dividends from blacklisted jurisdictions)
- Dividend income is tax-exempt at the natural-person level
- Progressive personal income tax rates – 20%, 23% and 31%
- Standard value added tax rate – 21% (reduced rates 12% and 5%)
- Social security contributions: employee rate – 10.5% of gross salary; employer rate – 23.59% on top of gross salary
- Social security contributions not payable on salary over the EUR 78,100 threshold annually
- Salaries over EUR 78,100 are subject to a solidarity tax of 25%
- Binding advance tax rulings and advance pricing agreements available. Binding advance rulings possible at no charge.
- Online tax reporting

- Holding regime – no withholding tax on interest and royalties, and participation exemption for withholding taxes on dividends (except payments to blacklisted jurisdictions; since 2023 Russia has been a blacklisted jurisdiction)

## Investment incentives

- Tax and other benefits for businesses within special economic zones and free ports
- Special measures and tax framework available for developing startups
- Credit guarantees of up to EUR 7 million, depending on the size of the company, available in certain state-supported sectors for up to 80% of the principal amount of financing
- State aid programmes to improve competitiveness, and to support startups and growth
- Subordinate or mezzanine loans of up to EUR 5 million, subject to restrictions regarding the business sector and financial situation<sup>5</sup>
- EU funding available in certain state-supported sectors, and resident companies can apply for grants from EU structural funds<sup>6</sup>
- Possible land tax reduction from municipalities
- Latvia offers the Foreigner eID card: a transnational digital identity card available at select Latvian embassies worldwide<sup>7</sup> for managing a location-independent business online, as well as establishing and administrating companies online

<sup>3</sup>These regulations do not apply to citizens of Russia. Citizens of Belarus may only obtain special temporary residence permit for establishing startups.

<sup>4</sup><https://www.altum.lv/en/services/enterprises/credit-guarantees/> and <https://www.altum.lv/en/services/enterprises/export-credit-guarantees/>

<sup>5</sup><https://www.altum.lv/en/services/enterprises/mezzanine-loan/>

<sup>6</sup><https://www.em.gov.lv/lv/es-fondu-atbalsts-2021-2027> and <https://labsoflatvia.com/en/support>

<sup>7</sup><https://www.mfa.gov.lv/en/foreigner-eid-card>



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## Lithuania

## Why Lithuania?

- One of the most cost-effective countries in Europe
- Lithuania is ranked No. 1 globally for digital skills availability
- From 2000 to 2020, Lithuania had the highest real GDP per capita growth in the whole of the EU
- 10<sup>th</sup> in Europe and 15<sup>th</sup> worldwide in the 2024 Index of Economic Freedom Study (Heritage Foundation)
- Predictable and non-discriminatory legal and regulatory environment
- Lithuanians are among the best-educated people in Europe. The share of young, educated people most accurately reflects a society's development potential. In 2022, young people accounted for 61%, while in the EU as a whole, the rate is 27%–42.8%
- Lithuania has one of the highest percentage of young people in Central/Eastern Europe
- Developed infrastructure – Lithuania offers the best regional road network in the Baltic States
- Financial incentives available, mainly as tax deductions and subsidies
- Prime geographical location – at the crossroads between North, East and West
- One of the fastest-growing fintech centres in Europe

## Lithuania can offer

## Corporate laws

- Lithuanian companies can be registered, established and administered (e.g. filing annual reports, registering corporate changes) entirely online on the Centre of Registers' self-service system, without having to go to a notary or any other official if the persons signing the required documents possess a qualified electronic signature
- The establishment process is fast, and most steps can be handled by a simple power of attorney (without any personal presence required)
- The cost of running a business in Lithuania is far lower than in the neighbouring countries of Scandinavia
- Share capital formation takes 1–2 business days
- Meetings can be held via e-mail, letter or virtually by using other e-solutions, such as video conferencing
- No residence requirements for management
- One-person management sufficient; formation of board optional
- Share transfers must be notarised, unless the accounting of securities is managed by professionals. In such cases, notarial processes are not required.

## Employment regulation

- Flexible employment regulation, reasonable dismissal costs, various fixed-term contract options, and flexible overtime rules
- Cost-efficient approach to working time rules
- Social security system run by the state
- Collective action is rare; statutory regulation limits strike possibilities
- Favourable immigration regulation for hiring qualified non-EU nationals, especially using the EU Blue Card system, and for intra-group transfers of foreign employees

## Tax system

- Personal income tax rates:
  - A flat 15% rate applies to dividends and income from individual activities (the taxable income from individual activities not exceeding EUR 20,000 per year is taxed at a rate of 5%. Taxable income from EUR 20,000 to EUR 35,000 is taxed by applying the PIT credit formula and at a progressively increasing rate (until the 15% PIT rate is reached). Taxable income exceeding EUR 35,000 is subject to a 15% PIT rate.
  - A progressive 15%/20% rate applies to annual income unrelated to employment or substantially equivalent relations. There is a threshold at which the higher rate of personal income tax starts to apply.
  - A progressive 20%/32% rate applies to annual income from employment or substantially equivalent relations. There is a threshold at which the higher rate of personal income tax starts to apply.
- Social security contributions to employment or substantially equivalent relations: employee rate – 12.52% (and an additional 3% in cases where the person has chosen to accrue additional contributions in respect of their pension) withheld from gross salary; for employers – 1.77% (including payments to the Long-term Employment Benefit Fund and Guarantee Fund) on top of the gross wage. The employer levies an additional tax 2.49% of the gross salary under fixed-term employment contracts. Social security contributions are subject to a ceiling.
- Compulsory health insurance contributions apply to employees only at the rate of 6.98%, withheld from the gross salary.
- The threshold at which the higher rate of personal income tax starts to apply and the ceiling above which no social security contributions are levied are as follows:
  - 60 state average monthly salaries as of 2024 (EUR 114,162). The Lithuanian Parliament determines this amount on an annual basis.
- Social security contributions to individual activities: contributions rate – 12.52% (and an additional 3% in cases where the person has chosen to accrue additional contributions in respect of their pension) withheld from 90% of annual income. Social security contributions are subject to a ceiling.
- Compulsory health insurance contributions apply to individual activities only at a rate of 6.98%, withheld from 90% of annual income. Compulsory health insurance contributions are subject to a ceiling.
- Ceiling above which no social security and compulsory health insurance contributions to individual activities are levied are as follows:
  - 43 state average monthly salaries as of 2024 (EUR 81,816,10). The Lithuanian Parliament determines the amount on an annual basis.
- Value-added tax (VAT) rate – 21%
- Participation exemption for withholding taxes on dividends
- Unlimited carry-forward of losses
- Intra-group transfer of losses permitted
- Advance binding tax rulings and advance pricing agreements available



## Lithuania

## Investment incentives

- Corporate income tax and real estate tax exemption in free economic zones
- Financial incentives for high-value-added projects
- Compensation for training and employment costs
- The R&D costs can be deducted three times
- Possible land lease reduction and land tax exemption from municipalities



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## Our services

Many of the clients we've worked with over the years have been foreign investors and international corporations operating in the region, or their subsidiaries, meaning that we have accumulated vast experience in assisting foreign investors in the Baltics.

We can help you with:

- Selecting the right corporate and tax structure for your investment project and operations
- Advice on the business environment and regulatory requirements
- Setting up a corporate entity and advice on its location (special economic zones, industrial parks, free ports)
- Advice on available foreign investment support schemes and investment incentives
- Negotiating incentive packages and investment agreements with governmental authorities
- Bringing employees from abroad (residence and work permits)
- Office lease and construction of facilities for your investment project

## Selected transaction experience

## Bolt

Advising the fastest-growing mobility platform in the world on raising capital in the three biggest investment rounds in the Baltics to date – EUR 150 million in 2020, EUR 600 million in 2021, and EUR 709 million in 2022.

## Sunly

We advised Sunly on raising EUR 230 million in the second biggest investment round in the Baltics, that was named The Baltic Energy Deal of the Year at the 2023 M&A and Private Equity Forum.

## Ignitis Group

Advising the state-owned energy company Ignitis Group on entering the Latvian and Lithuanian renewable energy markets, with total preliminary investments amounting to around EUR 570 million.

## Gren

Advising the Northern European green energy company, which develops and provides green energy solutions, in its expansion and investments in sustainable district heating and renewable energy production assets in Latvia.

## Stena Line

Advising one of the world's largest ferry companies, supporting their long-term expansion in the Baltic Sea region by acquiring the operations of the ferry and RoRo terminals at the Port of Ventspils.

## Dexcom

Assisting Dexcom in opening global business service centre in Vilnius, Lithuania.

## Pon.Bike

Advising on the construction and opening of a new factory operating in the 13-ha Kėdainiai Free Economic Zone.

## Startup Estonia

We assisted Startup Estonia with creating a package of 25 sample legal documents to simplify legal processes and reduce costs for aspiring entrepreneurs and startups.