

OPTIONS FOR RELOCATION – LITHUANIA AND CYPRUS

If your company is looking for safe harbour in these turbulent times, we would like you to consider Lithuania and Cyprus.

WHY LITHUANIA?

Lithuania offers great conditions for doing business. Not only in traditional areas, but also at the cutting-edge of technology. Many international IT companies have chosen Lithuania as a location for their operations.

Key reasons to choose Lithuania for your business include the available talent, the friendly business environment, attractive quality and costs, infrastructure, innovation, and R&D.

TAXATION PRINCIPLES IN LITHUANIA

Lithuania ranks 6th in the EU for the convenience of paying taxes.

PERSONAL INCOME TAX

For employees, personal income tax is deducted from wages by the employer. Tax must also be paid for other personal income not related to employment (like from selling property). Lithuania imposes a flat tax of 20% on wages, while a 15% rate applies for income from individual activities. Non-residents are taxed at the same rate as residents for income they obtain in Lithuania.

CORPORATE INCOME TAX

Corporate income tax in Lithuania is based on a company's net income from the exercise of its business activity, normally over one business year. The main corporate tax rate is 15%, though smaller rates apply for small enterprises and a variety of tax reliefs are available for innovative companies and those operating in free economic zones.

VALUE ADDED TAX (VAT)

VAT is a general broad-based consumption tax assessed on the value added to goods and services. It applies more or less to all goods and services that are bought and sold for use or consumption. It is a tax paid by consumers. The standard VAT rate in Lithuania is 21%. Reduced VAT rates apply for certain types of goods and services.

SOCIAL SECURITY TAXES

The main goal of the state social security system is to guarantee income for the insured when they are not able to work due to sickness, maternity, age, disability or other reasons. These taxes are paid both by the employer and the employee. Total social security contributions amount to 40% of an employee's gross salary. Self-employed persons pay a lower rate of social security tax.

WAYS TO CONDUCT BUSINESS IN LITHUANIA

To set up a business in Lithuania, it is first important to assess the various legal forms and choose one that is appropriate for your plans and goals.

SELF-EMPLOYMENT UNDER A BUSINESS CERTIFICATE

Self-employment is an individual activity which brings income or other economic benefits to a person over a continuous period, generally limited in time. It does not, however, include such activities as sale or rental of immovable property. Self-employment under a business certificate does not require authorized capital. Employees may be hired. Someone who is self-employed is not for that reason a VAT payer, though a duty to register as a VAT payer arises if revenue exceeds €45,000.

INDIVIDUAL ENTERPRISE

This legal form of a business is the most appropriate for a small startup. The minimum and maximum number of participants (owners) is 1 (one) natural person who one act as the single-person management body, i.e. head of the company. The owner of an individual enterprise has unlimited civil liability. Establishing an individual enterprise does not require authorized capital.

PRIVATE LIMITED LIABILITY COMPANY

A private limited liability company (abbreviated in Lithuanian as “UAB”) is a legal entity whose assets are separated from those of its shareholders. The authorized capital of a private company may not be less than €2,500. By law, the minimum number of participants is 1 (one) shareholder, whether a natural or a legal person. The general meeting of shareholders is mandatory. A private company must also have a single-person management body, i.e. head of the company.

BRANCH OR/AND REPRESENTATIVE OFFICES OF ENTERPRISES

Foreign enterprises may establish branches in Lithuania to perform some or all functions as well as representative offices with the right to represent and protect the interests of the company, conclude agreements, and perform other actions on its behalf. Note that neither a branch nor a representative office has the status of an independent legal person. The establishment of a branch and/or representative offices of an enterprise does not require authorized capital. A duty to register as a VAT payer arises if revenue exceeds €45,000.

OPTIONS FOR RELOCATION

Non-EU citizens who wish to come to Lithuania and enter into an employment relationship must go through certain procedures, the most important of which are to find an employer and obtain a work permit or decision on compliance with labour market needs.

NATIONAL VISA

For non-EU citizens who already have a work permit issued by the Employment Service of the Republic of Lithuania. A visa can be issued for single or multiple entries, and for a minimum period of 91 days but no more than 1 year.

TEMPORARY RESIDENCE PERMIT

For non-EU citizen who would be transferred as a specialist from his/her previous workplace in the non-EU country to a branch of that company in the Republic of Lithuania. A temporary residence permit can be issued for a period of no more than 3 years.

PERMANENT RESIDENCE PERMIT

For non-EU citizens who already have resided in Lithuania without interruption for 5 years under a temporary residence permit.

TEMPORARY RESIDENCE IN LITHUANIA FOR INVESTMENT PURPOSES

Non-EU investors who seek temporary residence in Lithuania should engage in their activity in Lithuania for at least 6 months before submitting the request for a temporary residence permit. They should also create at least 3 jobs for Lithuanian employees. The law requires that the authorized capital of the company be no less than €28,000, of which at least €14,000 should be own funds or other assets invested by the foreigner in question. There are also some requirements for non-EU citizens who intend to engage in activities related to new technologies. Such investors should have the necessary qualifications as well a financial and a business plan, and should obtain written approval from Lithuania's Minister for Economic Affairs and Innovation.

Language requirements for non-EU citizens: very good knowledge of English or Russian; knowledge of the Lithuanian language is an advantage.

HOW CAN LEWBEN ASSIST YOU?

- ✓ Advice and solutions for the conduct of a business
- ✓ Help registering a business in Lithuania and setting up a fully operational company
- ✓ Advice and tailored solutions for your relocation
- ✓ Desired services from A to Z: doing paperwork, arranging meetings with authorities, etc.
- ✓ Finding real estate that is suited to your needs
- ✓ Help finding high-calibre employees for the successful operation of your business
- ✓ Advise in the selection of private education providers

WHY CYPRUS?

Cyprus offers a very friendly tax regime for resident individuals and companies. Investment income is taxed at a rate of 0%. The country also has a competitive personal income tax system, with tax allowances of up to 50% for highly paid employees.

Cyprus has the lowest crime rate in Europe and is the 5th safest country in the world. Its educational institutions and healthcare facilities are known for their high standards.

Cyprus is strategically located at the crossroads of three continents: Europe, Asia and Africa.

TAXATION PRINCIPLES IN CYPRUS

- ✓ All companies that are tax residents of Cyprus are taxed on their income accrued or derived from all sources in Cyprus and abroad and are taxed at under 12.5%.
- ✓ Cyprus's corporate income tax law provides exemptions for various types of income, profits and gains (such as dividend income, profits from disposal of shares, and others).
- ✓ Dividends received from other Cyprus tax resident companies are exempt from all taxes, subject to certain anti-avoidance provisions. In the current global market, Cyprus is a fully transparent country that meets all EU requirements.
- ✓ Personal income is taxed progressively, with no income tax obligation on individual income of up to €19,500.
- ✓ Tax residents of Cyprus can deduct a variety of expenses such as social insurance, donations, and insurance payments, and thus reduce their taxable base. Moreover, individuals who earn more than €100,000 have the possibility to reduce their tax base by 50%.
- ✓ Cyprus's social insurance tax applies up to a maximum level of remuneration. There is a social insurance tax rate of 8.3% for both the employer and the employee in Cyprus, up to the maximum monthly income level of €4,572.

OPTIONS FOR RELOCATION

1. CITIZENSHIP BY INVESTMENT

KEY REQUIREMENTS

- ✓ Purchase of a main residence for €500,000 (plus VAT if applicable);
- ✓ Investment of a minimum of €1.5 million in residential property or €2 million in other eligible investment options for a minimum period of 3 years;
- ✓ Clean criminal record;
- ✓ Investor must not be on the list of persons whose property is ordered frozen by the EU;
- ✓ Applicants previously rejected for citizenship by any other EU country are not eligible;
- ✓ Donate €75,000 for R&D and €75,000 to land development organizations;
- ✓ Due diligence and background checks are carried out.

2. STARTUP VISA

The Cyprus Startup Visa plan aims to attract third-country foreign investors who wish to reside and invest in innovative businesses in Cyprus.

KEY REQUIREMENTS

A national of a non-EU country who:

- ✓ is the sole founder and meets the enterprise requirements below.
- ✓ has access to €20,000 which may include venture capital funding, crowdfunding or other sources of funding.
- ✓ has very good knowledge of the Greek and/or English language.

Requirements for the enterprise:

- ✓ The enterprise must be innovative. It will be considered innovative if its R&D costs represent at least 10% of its operating costs in at least one of the 3 years preceding the application, as certified by an external auditor, under international accounting standards. For a new enterprise with no financial history, the evaluation will be based on the business plan submitted by the applicant.
- ✓ The business plan must stipulate that the enterprise's head offices and tax domicile be established in Cyprus. The head offices may be at joint co-working spaces (e.g. business accelerators, incubators, digital hubs etc.) or involve co-location with other enterprises.

OPTIONS FOR RELOCATION

3. WORK PERMIT FOR NON-EU PERSONS

Non-EU persons who wish to work in Cyprus must obtain a work permit. For new companies being setup in Cyprus, there are few criteria for obtaining work permits for their employees.

KEY REQUIREMENTS

Companies of foreign interest wishing to employ third-country nationals in Cyprus must meet the following conditions:

- ✓ Their third-country shareholders should own the majority of the company's shares.
- ✓ There must be a foreign direct investment of capital totalling at least €171,000 which has been legally admitted to Cyprus from abroad. This should be proved by appropriate bank and other documents. This requirement only applies to companies which will employ staff from third countries for the first time.
- ✓ They must operate in independent offices in Cyprus, housed in suitable premises, separate from any private housing or other office, except in the case of business co-habitation.

4. PERMANENT RESIDENCY

Permanent residency in Cyprus can be obtained through investment in real estate. This process does not, however, give eligibility for a work visa.

KEY REQUIREMENTS

The programme requires investment in real estate with a minimum market value of €300,000 plus VAT. In addition, an applicant must:

- ✓ Maintain a deposit at a Cypriot bank with a minimum balance of €30,000 of funds transferred from overseas (the required amount increases by €5,000 for each dependent child and €8,000 for each dependent parent);
- ✓ Have a clean criminal record;
- ✓ Visit Cyprus at least once every 2 years;
- ✓ Declare that they do not intend to work or be involved in any form of business in Cyprus;
- ✓ Declare that they have a secured annual income from abroad;
- ✓ Not be included on the list of persons whose property is ordered frozen by the EU.

Provided that the above criteria are met, an application will be examined by the Minister of Interior and a permit can be expected to be granted within two months.

HOW CAN LEWBEN ASSIST YOU?

- ✓ Advice and tailored solutions for your relocation
- ✓ Desired services from A to Z: doing paperwork, arranging meetings with authorities, etc.
- ✓ Finding real estate suited to your needs as well as setting up a fully operational company
- ✓ Help finding high-calibre employees so your business operates successfully
- ✓ Advice in the selection of private education organizations
- ✓ Assistance with selection of investment vehicles locally and in various jurisdictions
- ✓ Corporate governance services including selection of corporate directors and secretaries
- ✓ Advice on international taxation as well as local tax and VAT matters
- ✓ Accounting and financial management services appropriate for a business entity operating across international borders
- ✓ Payroll services

CONTACT US

We – “Lewben” team – are here to assist you with all topics above.



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