



# CORPORATE AND TAX

DATA SHEET FOR BALTIC COUNTRIES

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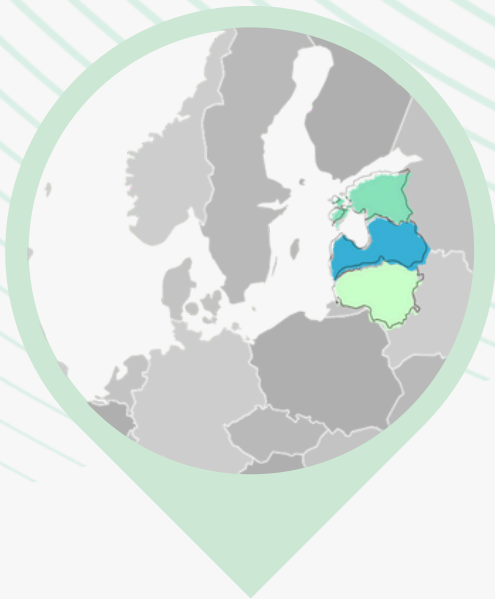
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# INTRODUCTION

This data sheet provides key insights into company incorporation, taxation, and employment regulations in the Baltic states, helping businesses navigate jurisdiction selection and cross-border operations.

The information reflects laws in effect as of  
**1 April 2025.**

While this overview covers essential aspects, each situation is unique and requires individual assessment. If you require a more detailed explanation of any of the matters discussed here, insights on topics not included, or any other legal support, please feel free to reach out. We would be happy to assist you.

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# KEY INDICATORS

The Baltic states offer a dynamic and investor-friendly environment, combining strong economic growth, skilled workforces, and advanced digital infrastructure. Their strategic location and open economies make them attractive for foreign investment across various sectors. Below are key economic indicators that highlight the competitive advantages and investment potential of the Baltics.



	ESTONIA	LATVIA	LITHUANIA
Population	1.3M	1.8M	2.8 M
Largest Cities	Tallinn, Tartu, Narva	Riga, Daugavpils, Liepaja	Vilnius, Kaunas, Klaipėda
Unemployment Rate	7.6%	6.9%	7.1%
Cumulative FDI	€36.7 billion	€26.3 billion (Q4)	€37.6 billion (Q3)
Top Investors	Sweden, Finland, Norway	Sweden, Estonia, Lithuania	Germany, Netherlands, Estonia
Key Sectors	IT and Digital Services, Renewable Energy, Manufacturing and Engineering, Logistics and Transport	Renewable Energy, Transport and Logistics, Manufacturing, Financial Services	Technology and Startups, Energy Sector, Life Sciences and Pharmaceuticals, Manufacturing and Engineering
Tech Ecosystem	Advanced digital infrastructure, leading e-governance, a robust fintech sector, and a thriving startup ecosystem	Expanding digital infrastructure, with a focus on AI, cybersecurity, and smart technologies	Rising fintech hub, attracting global investments and rapidly growing its tech sector

This table provides figures and data from 2024.



# SETTING UP A BUSINESS

The most popular business structure in the Baltic States is the **Limited Liability Company**, known for its simple registration, low capital requirements, and flexible management, making it a preferred choice for local and foreign investors. In Estonia it is OÜ (Osaühing), in Latvia SIA (Sabiedrība ar ierobežotu atbildību), and in Lithuania UAB (Uždaroji akcinė bendrovė).



	ESTONIA	LATVIA	LITHUANIA
<b>Minimum share capital</b>	EUR 0.01	EUR 0.01 (subject to conditions); otherwise EUR 2 800	EUR 1 000
<b>Timing for registration</b>	3-4 weeks (1 – 2 days in case the founder has Estonian e-residency)	2-3 weeks (registration 1-3 business days after document submission)	2-3 weeks (1-2 business days if registered online, subject to conditions)
<b>Physical presence requirement</b>	Not required for incorporation (can be done via PoA; or if the founder has Estonian e-residency). Estonian banks may request physical presence to open a business bank account	Not required for incorporation. Latvian banks may request physical presence to open a business bank account	Not required for incorporation or capital deposit account (can be done remotely or via PoA). Business bank account may also be opened remotely or via PoA in some cases
<b>Shareholders liability</b>	Generally, not personally liable	Generally, not personally liable	Liable for company obligations only if their unfair actions caused the company's failure to meet its obligations
<b>Management bodies</b>	Management Board (1+ members, mandatory), Supervisory Board (3+ members, optional), Shareholder(s) meeting (mandatory)	Management Board (1+ members, mandatory), Supervisory Board (3+ members, optional), Shareholder(s) meeting (mandatory)	CEO (mandatory), Management Board (3+ members, optional), Supervisory Board (3-15 members, optional), Shareholder(s) meeting (mandatory)
<b>Nationality requirements for management bodies</b>	None		
<b>VAT registration</b>	If specific thresholds are exceeded, VAT registration becomes mandatory. It can also be requested when submitting incorporation documents		

This table provides a summary of the basic requirements for establishing a Limited Liability Company in each of the three Baltic States.



# TAXATION

The Baltic states maintain business-friendly and transparent tax systems, designed to support investment and economic growth. Below is a high-level comparison of key tax rates and regulations across Estonia, Latvia, and Lithuania.

	ESTONIA	LATVIA	LITHUANIA
<b>Corporate Income Tax (CIT)</b>	CIT applies on distributed profits (dividends) only; general rate - 22%	CIT applies on distributed profits (dividends) only; general rate - 20% divided by a coefficient of 0.8 (effective CIT 25%)	16%
<b>Preferential CIT rates</b> applicable under certain conditions	Indefinite deferral of CIT on retained and reinvested profits, effectively taxing only distributed profits	Indefinite deferral of CIT on retained and reinvested profits, effectively taxing only distributed profits; Tax Relief for Donors, Tax Relief for Taxpayers Carrying out Agricultural Activity	Small companies may apply a reduced CIT rate of 0% for the first year and 6% for the following years. Large investment projects may be eligible for a CIT exemption of up to 20 years
<b>CIT on dividend distribution</b>	22% / 0% (on flow-through dividends if the parent company holds at least 10%, generally), no additional dividend taxation other than CIT which applies on dividends	20% divided by a coefficient of 0.8 (effective CIT 25%) / 0% (flow-through dividends and reinvested profit)	0% (if the parent company holds at least 10% shares for 12+ months) / 16% (applies otherwise)
<b>VAT</b>	22% standard or 13% / 9% / 0% depending on the category. From 1 July 2025 standard VAT shall increase to 24%	21% standard or 12% / 5% / 0% depending on the category	21% standard or 9% / 5% / 0% depending on the category
<b>Minimum monthly salary gross</b>	EUR 886	EUR 740	EUR 1 038
<b>Personal income tax</b>	22%	25,5% (income up to EUR 105 300) / 33% (income exceeding this threshold)	Employment source income - 20% (income up to EUR 126,532) / 32% (income exceeding this threshold), otherwise - 5, 15 or 20% (dividends subject to 15% rate)
<b>Social security contributions</b>	33%	34.09%	min. 21.27%
<b>Total tax for monthly net salary of EUR 1 000</b>	~EUR 770	~EUR 613	EUR 503
<b>Total tax for monthly net salary of EUR 2 000</b>	~EUR 1550	~EUR 1466	EUR 1364

This table provides an overview of key tax-related aspects in the Baltic States and does not cover all applicable rules, exceptions, limitations, or preferential rates.





# EMPLOYMENT

The Baltic States offer a competitive and flexible labor market, balancing employee rights with business-friendly regulations. Investors benefit from relatively low labor costs, a skilled multilingual workforce, and straightforward employment regulations, making the region an attractive destination for business expansion.

	ESTONIA	LATVIA	LITHUANIA
<b>Form</b> of employment contract	Written. In Estonia, written is mandatory for employment that lasts >14 days		
<b>Language</b> of employment contract	Estonian (other languages permitted by agreement)	Latvian (if employee is foreigner, employer must provide contract details in a language the employee understands)	Lithuanian (for foreign employees, contract must also be concluded in a language they understand)
<b>Fixed-Term</b> <b>employment</b> <b>contract</b>	Allowed for temporary needs; maximum duration: 5 years. Can be renewed 2 times or prolonged 1 time without the contract to change into unspecified term contract	Permitted only for objective reasons; maximum duration: 5 years (incl. extensions of the term); Exception for seasonal work: maximum (incl. extensions): 10 months per year	Maximum duration: 2 years (exceptions: 1) 5 years in specific cases or 2) when an employee is temporarily hired to replace an absent employee.). May not exceed 20% of total workforce
<b>Maximum probation</b> <b>period</b>	4 months (excluding the time when the employee was absent due to temporary incapacity, leave)	3 months (excluding the time when the employee was absent due to justifiable reasons or temporary incapacity); in case of fixed term employment contract – 1 month (for up to 6 months contract); 2 months (for up to 1 year contract)	3 months (excluding the time when the employee was absent due to temporary incapacity, leave, or other important reasons)
<b>Maximum working</b> <b>time</b>	40 hours /week, some exceptions apply	Regular working time 40 hours / week (shorter time for specific categories of employees; exceptions for aggregated working time)	40 hours / week (shorter time for specific categories of employees) (with some exceptions up to 60 hours, e. g. if an agreement to increase the workload or an agreement for additional work is concluded)
<b>Minimum annual paid</b> <b>vacation</b> general periods, not outlining preferential or specific cases	28 calendar days, excluding public holidays	4 calendar weeks, excluding public holidays	20 working days (employees working 5 days a week) / 24 working days (employees working 6 days a week)
<b>OT compensation</b>	Time off equal to overtime unless agreed otherwise (1.5x salary if paid)	At least 100% of hourly/daily rate (or of piecework rate if applicable), or paid rest time by agreement	1.5x regular salary in general cases; 2x regular salary for OT on a rest day or for OT at night; 2.5x regular salary for OT on a public holiday and/or OT on a public holiday night

This table outlines basic employment requirements in the Baltic States and does not cover all exceptions, preferential cases, or limitations.

	ESTONIA	LATVIA	LITHUANIA
<b>Non-Compete</b>	Enforceable if justified by employer's legitimate business interests. Maximum duration: 12 months post-employment. Compensation required (minimum 50% of prior salary)	Allowed if proportionate and necessary to protect employer's interests. Maximum duration: 2 years post-employment. Compensation required	Permitted with employees who have special knowledge or skills that could be applied in competitor of the employer. Maximum duration: 2 years post-employment. Compensation required (minimum 40% of average salary)
<b>Collective agreements &amp; Trade Unions</b>	Collective agreements exist but are not widespread. Trade union membership is relatively low	General agreements exist in certain sectors. Collective agreements may be concluded in larger enterprises but are not widespread. Trade unions play a role but have moderate influence	Collective agreements mainly apply in larger enterprises and public sector. Trade unions are active in some sectors
<b>Notice period</b> general periods in case of employer-initiated dismissal with no fault of employee	15-90 days, depending on tenure, can be terminated earlier, if prior notice days are compensated in money	Immediate – 1 month (exceptions depending on the legal basis of the termination); 2 months for dismissal of employee with a disability; 3 days during probation	2 weeks (<1 year tenure) / 1 month (≥1 year tenure) (these notice periods are doubled or tripled for certain groups of employees)
<b>Severance pay</b> general amounts in case of employer-initiated dismissal with no fault of employee	Can be terminated by the employer only if the reasons are arising from the employee or the parties make an agreement. In the first case, no compensation is paid, on the latter usually 1-3 months' compensation is paid	1-4 months' average salary (based on tenure)	0.5 month's salary (<1 year tenure), 2 months' salary (≥1 year tenure)
<b>Notice period</b> employee resignation	30 calendar days / 15 calendar days (during probation)	1 month if without reasons / immediately due to important reasons / 3 days during probation	20 calendar days if without reasons / 5 working days if due to important reasons / 3 working days during probation
<b>Work &amp; Residence Permits</b>	EU/EEA nationals can work without a permit. Non-EU nationals require a work permit, usually tied to an employer	EU/EEA and Citizens of the Swiss Confederation nationals do not need permits, but for long-term stays, must register. Non-EU nationals require a work permit which is issued together with a visa or residence permit	EU/EEA nationals can work freely. Non-EU workers need EU Blue Card or other type of residence permit allowing to work in country
<b>Investor &amp; Business Immigration</b>	E-residency program allows non-residents to manage Estonian businesses remotely. Residence permit available for significant business investments	Residence permit granted for investments in business, real estate, securities and a Latvian credit institution	Business investment-based residence permits available

This table outlines basic employment requirements in the Baltic States and does not cover all exceptions, preferential cases, or limitations.







# REGULATORY CLEARANCES

## **FDI SCREENING & MERGER CLEARANCE**

The Baltic States offer an open and attractive environment for foreign investment, with screening mechanisms in place for certain strategic sectors to ensure national security and economic stability. Similarly, merger clearance rules ensure fair market conditions by regulating mergers and acquisitions based on turnover thresholds. Understanding these regulatory frameworks is essential for investors navigating cross-border transactions in the region.

	ESTONIA	LATVIA	LITHUANIA
<b>FDI scope</b>	Strategic sectors and critical infrastructure	National security sectors, critical infrastructure	Sectors, companies, infrastructure and assets important to national security
<b>FDI sectors</b>	Defense, Energy, specific telecom companies, Critical infrastructure, state owned companies, specific transportation companies	Critical infrastructure, Energy, specific telecom companies, specific audible electronic mass medium, Defense, Military equipment, specific transportation companies, specific data processing, Large-scale land ownership	Energy, Transport, IT, telecommunications, other high-tech, Finance and credit (incl. <b>crypto assets</b> ), Military equipment
<b>FDI timeline</b> ~initial review / ~full review	30 days / 180 days	1-4 months	10 working days / 90 days
<b>Merger clearance scope</b>	Merger clearance applies if turnover thresholds are met		
<b>Turnover thresholds</b> EUR	Combined turnover of parties exceeds 6M in Estonia, and at least two parties each have a turnover above 2M	Combined turnover of parties exceeds 30M in Latvia and at least two parties each have a turnover above 1.5M	Combined turnover of parties exceeds 20M and at least two parties exceeds 2M turnover in Lithuania
<b>Merger review period</b>	~1-4 months	~1-4 months	~1-4 months
<b>Key considerations</b> for Investors	State fee for merger clearance	State fee for merger clearance, Ex-post merger control possibility	State fee for merger clearance, Ex-post merger control possibility

This table provides a high-level overview of regulatory clearance requirements in the Baltic States and does not cover all exceptions, limitations, or sector-specific nuances.



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