



# Comparative Investment Guide to the Baltics

MARCH 2026

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## Leading through introduction

This comparative investment guide will provide you a brief insight in the basic requirements in the Baltic States related to incorporation of companies, taxation and employment matters.

We believe that this guide will be of twofold interest. On the one hand it will give the opportunity to make an informed choice regarding the appropriate jurisdiction in which to set up the legal entity. And on the other hand, it will also allow to compare the differences between the three countries if operations are carried out in all of the Baltic States. We have also included some basic statistical information regarding the Baltic States to give you an overall impression regarding the Baltic region.

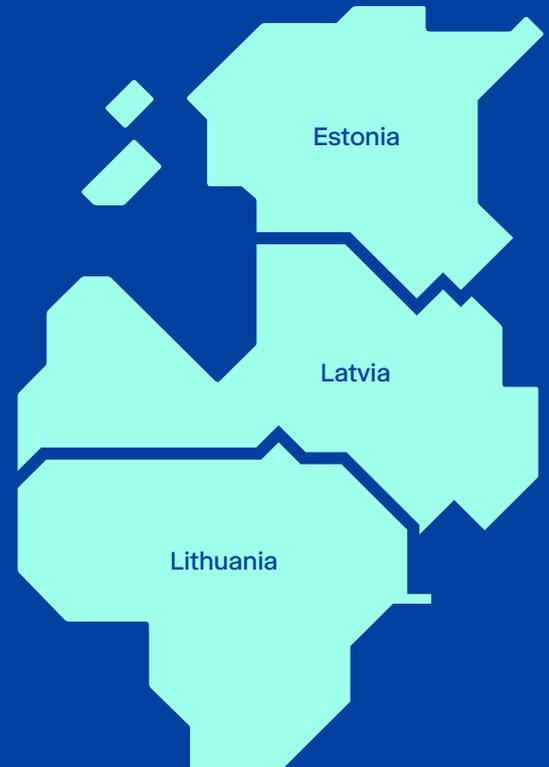
This investment guide is based on the laws valid on 1 March 2026.

This investment guide provides only a general description of the issues dealt therein; each practical situation has its own nuances and shall be carefully evaluated in each particular case.

In case you need more detailed description of some issues described in this investment guide or comments in relation to certain issues not dealt with in this investment guide, or legal assistance in practical situations, please instruct us accordingly and we will be honored to provide you with our assistance.

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## Leading through Baltic States at glance

	Estonia	Latvia	Lithuania
Population	1.3 M	1.9 M	2.9 M
Largest cities	Tallinn, Tartu, Narva	Riga, Daugavpils, Liepaja	Vilnius, Kaunas, Klaipeda
GDP growth Q3 2024	-0.7%	-0.9%	2.4%
Registered unemployment Q3 2024	7.4%	6.7%	6.8%
Export September 2024	1,520 M EUR	1,562 M EUR	3,250 MEUR
Import September 2024	1,756 M EUR	1,827 MEUR	3,425 M EUR
Foreign direct investment Q3 2024	989.7 M EUR	614 M EUR	848.7 M EUR
Top countries by amount of direct investments	SE   FI   NO   UK   DE	SE   EE   LT   DE   CY	LV   EE   DK   UK   US

Sources:  
Statistics Estonia, Central Statistical Bureau of Latvia,  
Bank of Latvia, Bank of Estonia, Statistics Lithuania

## Leading through incorporation and basic legal requirements

By far the most popular form of incorporation in the Baltic States is the limited liability company (in Lithuania – private stock company, which is one of the types of limited liability companies). This is due to the simple incorporation procedure, flexible management structure and low capital requirements. In Estonia it is called – OÜ (osaühing); in Latvia – SIA (sabiedrība ar ierobežotu atbildību); in Lithuania – UAB (uždaroji akcinė bendrovė). The below table summarizes the basic requirements in relation to incorporation of limited liability companies (private stockcompanies in Lithuania), as well as other applicable legal requirements.

	Estonia	Latvia	Lithuania
Minimum share capital	EUR 0.01	EUR 2,800	EUR 1,000
Duties for incorporation	EUR 200 state duty, EUR 265 state duty when establishing electronically under expedited procedure <sup>1</sup>	EUR 75 state duty or EUR 225 (for the accelerated examination procedure)	EUR 31 state duty, EUR 15 state duty for the company's name reservation and name similarity check (mandatory only when establishing electronically under expedited procedure <sup>2</sup> ). The indicated amount covers two separate services: temporary reservation of the company name and a name similarity check conducted by the Register of Legal Entities.
Other costs	Notary fees and translation costs usually do not exceed EUR 300	Notary fees <sup>3</sup> and translation costs usually do not exceed EUR 300	Notary fees usually do not exceed EUR 400, plus translation costs
Timing for registration	5 business days or in case of electronic registration - 1 business day from submission of documents. Normally the whole process takes 3-4 weeks (gathering signatures, translation/notary, payment of share capital).	3 business days or in case of 1 shareholder or payment of triple state duty - 1 business day from submission of documents.  In specific cases, the Commercial Register is entitled to prolong examination term up to 10 additional business days (e.g. to-be elected member of the Management Board is holding position in several Latvian companies OR several Latvian companies are registered at the same premises chosen for registered address purposes).  Normally the whole process takes 3-4 weeks (gathering signatures, translation/notary, payment of share capital).	3 business days or in case of electronic registration - up to 1 business day from submission of documents and receipt of payment of state duty.  Normally the whole process takes 2-3 weeks (gathering signatures, translation/notary, payment of share capital).

<sup>1</sup> Such procedure is available only for persons having Estonian ID card or mobile-ID.

<sup>2</sup> Such procedure is available not in all cases; there are additional requirements with regard to the founders, name of the legal entity and others.

<sup>3</sup> Notary fees can be reduced if all or part of the incorporation documents can be signed with a qualified electronic signature (as defined under Regulations (EU) No 910/2014) bearing a time stamp.

## Leading through incorporation and basic legal requirements

	Estonia	Latvia	Lithuania
Management bodies	<ul style="list-style-type: none"><li>• Management Board consisting of 1 or more members (mandatory)</li><li>• Supervisory Board (optional) consisting of 3 or more members</li><li>• Meeting of shareholders (mandatory)</li></ul>	<ul style="list-style-type: none"><li>• Management Board consisting of 1 or more members (mandatory)</li><li>• Supervisory Board (optional) consisting of 3 or more members</li><li>• Meeting of shareholders (mandatory)</li></ul>	<ul style="list-style-type: none"><li>• CEO (mandatory)</li><li>• Management Board consisting of 3 or more members (optional)</li><li>• Supervisory Board consisting of 3-15 members (optional)</li><li>• Meeting of shareholders (sole shareholder) (mandatory)</li></ul>
Types and number of shares	<p>Shares may have the same or different classes. Shares with the same rights form one class of shares. Each shareholder has one share corresponding to its share in the share capital.</p>	<p>Shares may have the same or different classes. Shares with the same rights form one class of shares.</p>	<p>All shares are registered. Shares may be dematerialised (book-entry) or material (issued in the form of share certificates). Shares may be divided into different classes (e.g., ordinary and preference), shares of the same class have equal nominal value and grant equal rights. Adjusted to align with Article 40 of the Lithuanian Law on Companies: all shares are registered, share certificates are a form of material shares, not a separate type, "emission type" is not a statutory classification.</p>
VAT registration	<p>If certain thresholds are exceeded, VAT registration is mandatory. In Estonia and Lithuania, voluntary VAT registration is possible only after the company has been established; in Latvia the voluntary registration is theoretically possible also upon submission of incorporation documents, however, it does not work well in practice.</p>		

## Leading through taxation

The below table summarizes the basic tax rates applicable in the Baltic States.

	Estonia	Latvia	Lithuania
Corporate income tax	<p>Corporate income tax (CIT) is payable upon profit distributions and deemed profit distributions (such as fringe benefits, gifts, donations, entertainment expenses, profit adjustments and non-business expenses). Retained or reinvested profits are not taxed.</p> <p>Standard rate of CIT is 22% on the gross amount of distribution (22/78 on the net amount).</p> <p>Credit institutions in Estonia (whether legal persons or branches of foreign credit institutions) are subject to paying advance CIT at the rate of 18% on their quarterly profit. The advance payment of CIT can be offset against the tax liability arising from the payment of dividends.</p>	<p>Corporate income tax is payable upon direct profit distributions and on implicit (deemed) distributions. The rate on gross profit distribution is 20%. Tax on net amount of profit distribution is determined by dividing the net amount with a coefficient of 0.8.</p> <p>From 2024 credit institutions and consumer lending companies pay a CIT surcharge of 20% from undistributed profit. This tax surcharge is further taken into account when calculating the CIT payable upon the distribution of dividends.</p> <p>Latvian companies fully owned by individuals are eligible for an alternative dividend tax regime. Under this regime, distributed profits are subject to 15% CIT (calculated as 15/85 of the net amount) and 6% PIT, which shall be withheld from the amount paid to the individual.</p>	<p>The standard corporate income tax rate is 16%. However, small companies which meet certain conditions (have less than 10 employees and earn less than EUR 300,000 in taxable income per year) can apply a reduced corporate income tax rate of 0% for the first year of operation and 6% for the subsequent tax years.</p> <p>Companies established in Free Economic Zones can enjoy 0% corporate income tax rate for the first 10 years and 50% reduced corporate income tax rate for the next 6 years if certain conditions are fulfilled.</p> <p>Companies engaged in large investment projects can be exempt from corporate income tax for up to 20 years, provided that certain conditions are met.</p>
Corporate income tax on distributed dividends (withholding tax)	<p>No withholding tax. Standard CIT rate of 22% applies to the gross amount of dividends (22/78 on the net amount). Exemptions are available for flow-through dividends.</p> <p>Payments made to resident of a non-cooperative jurisdiction for tax purposes are subject to 22% withholding tax on the gross amount.</p>	<p>0% / 20% on the gross amount of dividends (0% applies to distribution of flow-through dividends and distribution of income from sale of shares held for 3 years except shares of real estate companies).</p> <p>Dividends paid to low-tax or no-tax jurisdictions are subject to 20% withholding tax.</p>	<p>Dividends are exempt from corporate income tax if the parent company holds at least 10% of the shares of the subsidiary for a continuous period of at least 12 successive months (exemption is not applicable on dividends paid to offshore companies and is subject to anti-avoidance provisions). In other cases 16% withholding tax applies unless a double tax treaty provides for a reduced tax rate.</p>

## Leading through taxation

The below table summarizes the basic tax rates applicable in the Baltic States.

	Estonia	Latvia	Lithuania
VAT	24% / 13% / 9% / 0%	21% / 12% / 5% / 0%	21% / 9% / 5% / 0%
Minimum monthly salary (gross)	EUR 886	EUR 780	EUR 1,038
Payroll taxes	Personal income tax at a flat rate of 22% with an annual personal allowance of EUR 700 per calendar month; social tax at a rate of 33%; unemployment insurance contributions at a total rate of 2.4%; mandatory funded pension scheme at a rate of 2%-6%.	Progressive personal income tax depending on the amount of income at the rate of 25,5 and 33%; mandatory state social insurance contributions 34.09%.	Personal income tax at the rate of 20% is applied for employment related income up to EUR 126,532.80; rate of 32% applies for the employment related income exceeding EUR 126,532.80 per year.
Total tax for monthly net salary of EUR 1,000	EUR 505.41	EUR 593.95	EUR 682.15
Total tax for monthly net salary of EUR 2,000	EUR 1,284.86	EUR 1,447.50	EUR 1,364.29

## Leading through employment

The below table summarizes the basic regulations regarding employment matters in the Baltic States.

	Estonia	Latvia	Lithuania
Form of the employment contract (oral / writing)	Written, unless the employment lasts less than 2 weeks	Written	Written
Language of the employment contract	Estonian but the parties may agree on using any other language.	Latvian. In case the employee is a foreigner, the employer has an obligation to inform the employee about the provisions of the employment contract in the language that the foreigner understands.	Lithuanian. In case the employee is a foreigner – Lithuanian and the language that the foreigner understands.
Maximum probation period	4 months	3 months	3 months
Maximum working time (weekly, daily)	8 hours per day, 40 hours per week, shorter time for specific categories of employees		
Minimum annual paid vacation	28 calendar days, excluding public holidays	4 calendar weeks, excluding public holidays	20 working days (5-working day weekly regime), 24 working days (6-working day weekly regime); 4 calendar weeks (different working time regime). For employees under 18, for those raising a child under the age of 14 or a disabled child under the age of 18, as well as for disabled employees – 25 working days (5-working day weekly regime), 30 working days (6-working day weekly regime); 5 calendar weeks (different working time regime).
Overtime compensation	Overtime work is compensated by time off equal to the overtime, unless it has been agreed that overtime is compensated in money - i.e. 1.5 times the salary.	The rate of overtime compensation cannot be less than 100% of the employee's hourly or daily rate. Overtime compensation may be replaced by equal time off if agreed by the parties.	1.5 of the regular salary of the employee. Overtime compensation may be replaced by equal time off if agreed by the parties.

## Leading through employment

The below table summarizes the basic regulations regarding employment matters in the Baltic States.

	Estonia	Latvia	Lithuania
Notice period in case of economic / organizational dismissal	From 15 to 90 calendar days, depending on how long the employee has worked with the company	1 month	2 weeks for the employees who have worked less than 1 year in the company. 1 month for the employees who have worked 1 year and longer in the company. The above notice periods are doubled for employees who have less than 5 years left until having reached the statutory old-age of pension age. The above notice periods are tripled for employees bringing up a child (adopted child) younger than 14a years old, employees bringing up a disabled child younger than 18 years old, employees who have less than 2 years left until having reached the statutory old-age of pension age, pregnant employees and disabled employees and employees who have submitted an extract stating a disease included in the list of serious diseases.
Severance payment in case of economic / organizational dismissal	One month's average salary of the employee	From 1 to 4 average monthly salaries of the employee, depending how long the employee has worked in the company	0.5 average monthly salary of the employee if the employee has worked less than 1 year in the company, 2 average monthly salaries of the employee if the employee has worked 1 year and longer in the company.
Minimum termination notice period for the employe	30 calendar day or 15 calendar days during probationary period	1 month (2 months in case of disabled employees)	20 calendar days or 5 business days in case of important reasons
What is the role of trade unions in case of termination of employment (if any)?	Before termination of the employment contract with the employees' representative, the employer shall seek the opinion of the employees who elected the person to represent them or the trade union. The employees who elected the person or the trade union have to give their opinion within 10 working days from the time of request.	An employer is prohibited from giving a notice of termination of an employment contract to any employee who is a member of a trade union for more than 6 months without prior consent of the relevant trade union (subject to certain exceptions).	If employer seeks to terminate the contract of any employee - member of representative and/or management bodies of work council or trade union during his term of office or 6 months thereafter, the employer should obtain consent from the Chief State Labour Inspector of the Republic of Lithuania.

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