

**LAW ON INVESTMENT**

7 July 1999 No. VIII-1312

Vilnius

**CHAPTER ONE**

**GENERAL PROVISIONS**

**Article 1. Purpose of the Law**

1. The Law sets forth the terms and conditions of investment in the Republic of Lithuania, the rights of the investors and investment protection measures for all types of investments.

2. The specific features of investment into commercial banks, other credit institutions, insurance companies and other undertakings engaged in financial activities shall be established by the laws of the Republic of Lithuania which regulate the activities of the above undertakings and institutions.

**Article 2. Definitions**

As used in this Law,

1. “**Investment**” means funds and tangible, intangible and financial assets assessed in the manner prescribed by laws and other legal acts, invested in order to obtain from the object of investment profit (income), social result (in education, culture, science, health and social security as well as other similar spheres) or to ensure the implementation of state functions.

2. “**Reinvestment**” means investment of the profit (income) in the economic entity in which the profit (income) was obtained.

3. “**Investment**” means the act of investing performed by the investor in the manner prescribed by this Law whereby he acquires the right of ownership or the creditor’s right of claim over the object of investment, or the right to manage and use the object.

4. “**Investors**” means legal and natural persons of the Republic of Lithuania and foreign states, also undertakings without the rights of legal person, who invest,

according to the procedure set forth in the laws of the Republic of Lithuania, own or borrowed assets or assets held and used on trust.

5. **“Strategic investor”** means investor with whom the Government of the Republic of Lithuania or the competent authority concludes an investment contract in the manner laid down in this Law.

6. **“Object of investment”** means own capital of the economic entity, all types of securities, fixed tangible assets and fixed intangible assets.

7. **“Economic entities”** means undertakings, agencies and organisations of all types and forms of ownership established in accordance with the procedure laid down in the laws of the Republic of Lithuania .

8. **“State priorities”** means the basic needs of economic development, social and defence needs of the state, established by the Seimas or the Government of the Republic of Lithuania.

9. **“State Investment Programme”** means the document defining the investment strategy of the state, which provides for funds required in order to implement the state-supported investment projects, also the sources of financing and the time limits for the implementation of the above investment projects.

10. **“Investment project”** means a document corroborating the feasibility of the project from the financial (economic), technical and social point of view, assessing the return on the investment (commercial investment) and other indicators of efficiency, indicating funds required for project implementation as well as sources and time limits of financing.

11. **“Municipality investor”** means an investor with whom the municipality concludes an investment contract in accordance with the procedure established by this Law.

### **Article 3. Types of Investment**

1. Types of investment according to the investor’s influence on the economic entity:

1) direct investment - investment aimed at establishing an economic entity and acquiring the capital of a registered economic entity or a share in the capital, also reinvestment, loans to economic entities the capital whereof is owned by the investor or in which he has a share in the capital, subordinated loans where the objective of an

investment is to establish or maintain long-term direct links between the investor and the economic entity in which the investment is made, and the share in the capital acquired through investment accords the investor a possibility either to control the economic entity or to exert a considerable influence upon it;

2) indirect (portfolio) investment - where a share in the capital acquired through investment does not accord the investor any possibility to exert any considerable influence on the economic entity.

2. Types of investment according to the investor's registered office (domicile):

1) domestic investment - investment in the Republic of Lithuania made by the State of Lithuania, natural and legal persons of the Republic of Lithuania, also the domestic undertakings without the rights of the legal person;

2) foreign investment - investment in the Republic of Lithuania by foreign states, international organisations, foreign natural and legal persons.

3. Types of investment according to the status of the investor:

1) state investment - investment made by using the national budget resources, state (municipal) fund resources, loans obtained in the name of the State of Lithuania (municipalities), resources of state-owned (municipal) enterprises and other state-owned (municipal) assets as well as loan guarantees extended by the state (municipalities), in order to meet the needs of the state ;

2) private investment - investment by the holders of the right of private property of the Republic of Lithuania and foreign states;

3) investment by foreign states and international organisations.

4. Types of investment according to the object of investment:

1) capital investment - investment in the production, acquisition or increase of value of fixed tangible and intangible assets;

2) financial investment - all investment other than that specified in subparagraph 1 hereof.

#### **Article 4. Methods of Investment**

Investors may invest in the Republic of Lithuania according to the procedure established by law by employing the following methods:

1) by setting up an economic entity, acquiring the capital of an economic entity registered in the Republic of Lithuania or a share therein;

- 2) by acquiring securities of all types;
- 3) by creating, acquiring fixed assets or increasing the value thereof;
- 4) by lending funds or other assets to economic entities, in which the investor owns a share in the capital, enabling them to control the economic entity or to exert a considerable influence thereon;
- 5) by executing concession contracts and contracts of lease with option to purchase.

## **CHAPTER TWO**

### **RIGHTS OF INVESTORS AND PROTECTION OF INVESTMENT**

#### **Article 5. Rights of Investors**

1. Domestic and foreign investors shall be guaranteed under this and other laws equal conditions for operation. The rights and lawful interests of investors shall be protected under the laws of the Republic of Lithuania.

2. The investor shall have the right to manage, use and dispose of the object of investment in the Republic of Lithuania, in compliance with the laws and other legal acts of the Republic of Lithuania.

3. The investor shall have the right, upon paying the taxes in the manner prescribed by the laws of the Republic of Lithuania, to convert into foreign currency and/or transfer abroad without any restrictions the profits (income) held by him by ownership right.

4. Foreign investor may make a monetary contribution into the economic entity's capital under formation both in foreign currency and in the national currency of Lithuania.

#### **Article 6. Guarantees of Investors' Rights**

1. State and local authorities and officers shall have no right to interfere with the management and use as well as disposal of by the investors of the object of investment according to the procedure prescribed by the laws of the Republic of Lithuania. Damage inflicted upon the investor by unlawful acts of state or local authorities and their officers shall be compensated according to the procedure established by the laws of the Republic of Lithuania.

2. Disputes relating to infringement of the rights and lawful interests of the investor/investors shall be settled according to the procedure established by the laws of the Republic of Lithuania. Disputes between the foreign investor/investors and the Republic of Lithuania relating to infringement of their rights and lawful interests (investment disputes) shall be considered, upon agreement between the parties, by the courts of the Republic of Lithuania, international arbitration bodies or other institutions.

3. Investment disputes shall also be settled with due regard being taken of the international treaty provisions. In the case of investment disputes the foreign investor/investors shall have the right to apply directly to the International Centre for Settlement of Investment Disputes.

#### **Article 7. Protection of Investment in the Event of Expropriation**

1. Expropriation of the object of investment shall be allowed only in the cases specified and according to the procedure set forth in the laws of the Republic of Lithuania and only for public needs, paying the investor/investors just compensation in the manner prescribed by the Government.

2. The amount of compensation for the object of investment taken shall be determined in accordance with the procedure established by the Law of the Republic of Lithuania on the Principles of Property and Business Assessment and other legal acts and must correspond to the market value of the said object prior to the expropriation or prior to public declaration thereof, whichever happens earlier (hereinafter - the day of assessment). Compensation must be paid in the national currency of Lithuania within 3 months of the day of expropriation of the object of investment. Included in the sum of compensation shall be the sum of interest amounting to the arithmetical weighted average of the annual interest rate of the last calendar quarter auctions of Government securities with maturities of up to one year, within the period from the moment of expropriation of the object of investment to the day of payment of the compensation (hereinafter - period of delay).

3. Upon the request of a foreign investor, compensation shall be paid in any currency for which London Inter Bank Offered Rate (LIBOR) is quoted. The sum of compensation shall be converted according to the official exchange rate of the litas against the foreign currency announced by the Bank of Lithuania on the day of

assessment. The sum of compensation shall include the sum of interest amounting to the London Inter Bank Offered Rate (LIBOR) quoted for the appropriate currency on the day of receipt of compensation, calculated for the period the duration whereof is the closest to the period of delay. Compensation may be transferred abroad without any restrictions.

### **CHAPTER THREE**

#### **SPECIFIC FEATURES OF INVESTMENT**

##### **Article 8. Areas of Investment**

1. Investment in the Republic of Lithuania shall be permitted in all lawful commercial-economic activities, subject to the restrictions established by this Law and other legal acts of the Republic of Lithuania.

2. Foreign investment shall be prohibited in the following commercial-economic activities:

1) guaranteeing state security and defence (except for investment by the foreign entities meeting the criteria of European and Transatlantic integration which Lithuania has opted for, provided this is approved of by the State Defence Council);

2) production and sale of narcotic and psychotropic substances, non-medicinal highly effective or poisonous substances as well as cultivation, processing and sale of cultures containing narcotic, highly effective and poisonous substances;

3) organisation of lotteries.

3. When investing in the economic entity under formation, the activities whereof are subject to licensing under the Law of the Republic of Lithuania on Enterprises and other laws regulating the specific sphere of activities, the economic entity must acquire a licence for its activities in accordance with the procedure prescribed by laws and other legal acts.

##### **Article 9. Investment in Free Economic Zones**

The specific features of investment in free economic zones shall be regulated by the Law of the Republic of Lithuania on the Fundamentals of Free Economic Zones as well as laws on the setting up of individual free economic zones.

### **Article 10. Investment by Acquiring Immovable Property**

1. Investors shall have the right to acquire title to all types of immovable property in the Republic of Lithuania.

2. The procedure and terms and conditions of investment by acquiring title to land by legal persons of the Republic of Lithuania and foreign legal and natural persons shall be established by the Constitutional Law on the Subjects, Procedure, Terms and Conditions and Restrictions of the Acquisition into Ownership of Land Plots Provided for in Article 47, Paragraph 2 of the Constitution of the Republic of Lithuania.

3. The investors may take a lease on the state-owned land plots according to the procedure set forth in the Law of the Republic of Lithuania on the Lease of Land.

4. Foreign states shall have the right to acquire title to land according to the procedure and under the terms and conditions established by the Law of the Republic of Lithuania on the Acquisition and Lease of Land Plots by Foreign State Diplomatic Missions and Consular Institutions.

### **Article 11. Investment in the Exploitation of Natural Resources**

Investment into objects related to the exploitation of natural resources owned by the state by exclusive ownership right shall be permitted under the Law of the Republic of Lithuania on the Underground and other laws.

## **CHAPTER FOUR STATE INVESTMENT POLICY**

### **Article 12. State Investment Policy**

1. The state shall provide favourable conditions for private investment and ensure efficient use of state funds earmarked for investment in order to promote economic and social development of the state.

2. The state, employing the methods specified in Article 13, shall support investment intended for state priorities, improvement of the ecological situation, upgrading of technology of prospective industries, development of small and medium-sized business and satisfaction of the basic social needs of the public.

3. Taking into account the parameters prescribed by the Government of the Republic of Lithuania or the competent authority, the state may allocate funds and give loans and loan guarantees for investment into the restructuring of sectors of the economy, reduction of economic and social differences between separate regions of the country, creation of new jobs and mitigation of natural disaster effects.

### **Article 13. Promotion of Investment**

1. Tax privileges granted to investors shall be determined by appropriate tax laws.

2. A certain portion of interest on loans taken for the purpose of investment financing may be paid with the resources of target-oriented state (municipal) funds. The procedure and terms and conditions of payment of interest shall be determined by the regulations of the funds.

3. Lithuanian and foreign creditors who have granted loans for funding the carrying out of investment projects may be given state (municipality) guarantees in accordance with the procedure established by the laws of the Republic of Lithuania.

4. Loans intended for the carrying out of investment projects may be insured with public funds in accordance with the procedure established by the Government of the Republic of Lithuania.

5. The Government or the competent authority shall have the right to conclude investment contracts with strategic investors, establishing special investment and business conditions, provided that the investment amounts to not less than LTL 200m and meets the criteria established by the Government of the Republic of Lithuania. The terms and conditions of taxation of business shall be established in such contracts according to the procedure laid down by the Law of the Republic of Lithuania on Tax Administration.

6. The municipality shall have the right to conclude investment contracts for investment into the infrastructure, production or service sectors of the municipality, provided that the contracts meet the criteria prescribed by the municipal council. Special terms and conditions of investment, business or choice of land plot shall be established in such contracts according to the competence of the municipality.

### **Article 14. Regulation of State Investment**



1. The state investment policy shall be shaped in the Programme of the Government of the Republic of Lithuania, state-supported programmes, State Investment and State Borrowing programmes, with due regard being given to the forecasts of the development of the economy and economic-social development of the Republic of Lithuania.

2. The State Investment Programme drawn up for an at least 3-year period shall be approved by the Government of the Republic of Lithuania. The State Investment Programme shall be submitted to the Seimas of the Republic of Lithuania together with the draft law on the approval of financial indicators of the state budget and municipal budgets of the appropriate year.

3. The Government of the Republic of Lithuania shall establish the procedure for the planning, revision, use, accounting and control of state funds earmarked for state investment.

#### **Article 15. International Agreements**

1. Foreign investment in the Republic of Lithuania and overseas investment by the investors of the Republic of Lithuania shall also be regulated by bilateral and multilateral agreements of the Republic of Lithuania on investment promotion and protection as well as other international agreements.

2. If the international agreement ratified by the Seimas of the Republic of Lithuania establishes other terms and conditions of foreign investment in the Republic of Lithuania than those prescribed by this Law, the provisions of the international agreement shall apply.

### **CHAPTER FIVE FINAL PROVISIONS**

#### **Article 16. Recognition of the Law Regulating Foreign Capital Investment as Invalid**

The Law of the Republic of Lithuania on Foreign Capital Investment in the Republic of Lithuania shall be recognised as invalid.

*I hereby proclaim this Law enacted by the Seimas of the Republic of Lithuania*

PRESIDENT OF THE REPUBLIC

VALDAS ADAMKUS