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Migratory pathways for start-ups and innovative entrepreneurs in Lithuania

2019/2

EMN STUDY

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EMN is a network composed of the European Commission and National Contact Points (EMN NCPs) in each Member State, and in Norway, which aims to collect, analyse and provide up-to-date, objective, reliable and comparable information on migration and asylum. By the decree of the Government of Republic of Lithuania International organization for Migration Vilnius Office acts as the national coordinator for the EMN activities in Lithuania.

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Summary

General information about the start-up ecosystem in Lithuania

The first manifestations of start-up-type business emerged in Lithuania a good decade ago, but the overall ecosystem only started developing more actively in 2012. It could be said that there is currently a fully formed start-up ecosystem in Lithuania that includes all of the constituent parts: hackathons, state subsidies, a couple of accelerators, a business angel network, and early-stage and late-stage investment funds. Lithuania is one of the first countries in the EU to legally define the definition of a start-up.

Development of the start-up ecosystem is one of the priorities of the Government of the Republic of Lithuania. Implementing the Start-up Visa and Start-up Employee Visa procedures, creating start-up acceleration instruments, introducing tax breaks, supporting start-up training programmes, and promoting the qualification development of start-up employees were already provided for in the 2017 Action Plan for the Implementation of the Programme of the Government of the Republic of Lithuania. The bulk of the measures are currently in place. The Government has also set a goal to increase the number of start-ups in Lithuania to 1,000 by 2020. The Ministry of Economy and Innovation has listed financial technology and life sciences as priority areas for start-ups.

The progress of the Lithuanian start-up ecosystem is evident: according to data from Enterprise Lithuania's Start-up Lithuania division, there were over 600 start-ups operating in Lithuania in July 2019. 37 per cent of the start-ups work in the IT sector, 14 percent in financial technology, 7 percent healthcare, 6 percent in the field of computer games. The majority (73 per cent) of start-ups are based in Vilnius, with 21 per cent in Kaunas. The Lithuanian start-up community achieved record highs in 2018, bringing in EUR 183 million in investments from foreign and Lithuanian investment funds.

Setting up a business in Lithuania is not difficult. The World Bank's Doing Business Report ranked Lithuania 14th in 2019 for ease of doing business. If you have an electronic signature and submit the documents properly, you can register a company in one or two working days. Start-ups usually choose to establish a private limited liability company. The main requirement for establishing this type of company is EUR 2,500 in authorised capital.

Start-ups from third countries

According to the Ministry of Economy and Innovation, if Lithuania wants to become a global start-up centre, it cannot rely on local start-ups alone – like many countries around the world, it also has to attract innovative, promising companies from other countries. To this end, measures are being implemented to facilitate the establishment of foreign start-ups in Lithuania:

- The Start-up Visa admission scheme was introduced in Lithuania in 2017. A temporary residence permit can be issued on this basis to third-country nationals who intend to engage in the introduction of new technologies or other innovations that are significant to the economic and social development of the Republic of Lithuania.
Since February 2017, Lithuania has received more than 400 applications, of which 100 were selected as eligible, but only 30 start-ups have moved their activities to Lithuania. The majority of prospective applications have come from Ukraine, Russia and Turkey, nevertheless, the largest number of applications come from India, Iran, Pakistan, but their quality is often below the program requirements.
- Lithuania does not have any special visas/temporary residence permits for start-up employees (to date they use the standard procedure for the entry of start-up employees from third countries), but a memorandum was signed in April 2019 on the basis of which the Start-up Employee Visa procedure was launched. This procedure allows start-up employee applications to be processed as a matter of priority and within the shortest possible time.
- The Ministry of Economy and Innovation plans to provide more active assistance and consulting for potential and existing foreign start-ups, helping them move to Lithuania (the Soft Landing package).

Start-up applications from third countries are evaluated by two institutions in Lithuania. Initial evaluation is carried out by Enterprise Lithuania's Start-up Lithuania division. With the help of experts, this institution evaluates whether a start-up business meets the definition of a start-up: whether the business has high, innovation- and technology-based development potential. The

third-country national must also provide information about the business plan, the necessary funding, and experience and education to develop the business. Enterprise Lithuania makes a decision within 15 working days (or 5 working days if the start-up has received an invitation from a Lithuanian venture or private equity fund). Upon receipt of a positive decision, the TCN must apply to the Migration Department, which, based on the conclusion of Start-up Lithuania, then takes a decision on the issue of a temporary residence permit. The Migration Department must take a decision within two months (or one month under accelerated procedure). A temporary residence permit is issued for one year with the possibility of extension for another year. As of 26 July 2019 a temporary residence permit is issued for one year and may be renewed for one year twice.

The start-up admission scheme has been evaluated well. Experts note that at the legislative level, this system works well, with cases of misuse of this migratory pathway practically non-existent, but there are problems with putting it into practice, and more resources should be allocated for its promotion in foreign countries.

Number of start-ups in Lithuania¹

Year	Total number of start-ups in Lithuania (year-end)	Start-ups from third countries		
		Applications from foreign start-ups	Approved applications	Number of foreign start-ups established in Lithuania
2012	85	-	-	-
2013	123	-	-	-
2014	201	-	-	-
2015	273	-	-	-
2016	316	-	-	-
2017	380	126	24	8
2018	520	178	41	11
2019 (till 06-30)	612	111	34	11

¹ Data of Startup Lithuania

1.

Contextual overview
of the business
environment to start up
a business in Lithuania

Q1a. Are there **specific policies or strategies** which aim at fostering start-ups and innovative entrepreneurship in Lithuania in general?

Yes

The creation of a favourable business environment for start-ups and the improvement of opportunities for them to receive financing for the development of the start-up ecosystem is one of the current operational priorities of the Government of the Republic of Lithuania.

By Resolution No 167 of 13 March 2017, the Government of the Republic of Lithuania approved the Action Plan for the Implementation of the Government Programme, of which one of the measures in implementing the 'Sustainable and Competitive Economic Development' priority is 'Development of the Start-up Ecosystem: Creating a Favourable Business Environment for Start-ups and Improving Their Access to Financing Sources'.

In order to implement this measure, specific tasks and indicators were identified:

1. Implementation of the Start-up Visa process.
2. Creation and implementation of a start-up accelerator instrument according to which a venture capital fund will be established to invest in the development of promising new ideas, while also providing accelerator services to people who come up with ideas (mentoring, expert advice).
3. Preparation and implementation of business pre-accelerators and business training programmes to prepare start-ups to attract venture capital investments.
4. Development of tools for the qualification development of start-up employees, with lecturers from successful foreign start-ups and businesses.
5. Creation of an option for start-ups to issue and publicly distribute equity securities through crowdfunding platforms.
6. Regulation of the concept and activities of a newly established business (start-up) in legislation.
7. Creation of the Start-up Employee Visa procedure, which will allow Lithuanian start-ups to attract highly skilled employees from abroad.

Indicators	2016	2020
Number of start-ups	315	1000
Number of new start-ups	43	140
Investments attracted by start-ups, million EUR	16	36

No

Q1b. Is fostering start-ups and innovative entrepreneurs in general a national policy priority?

Yes

According to data from the Enterprise Lithuania database, there were 612 start-ups operating in Lithuania in July 2019 (30 of which came by taking advantage of the Start-up Visa scheme)². In recent years, the number of start-ups has increased by 58 per cent. The Lithuanian start-up community achieved record highs in 2018, bringing in EUR 183 million in investments; the largest investments were secured by Citybee (EUR 110 million), Vinted (EUR 50 million) and TransferGo (EUR 15 million).³ The Ministry of Economy and Innovation has set a goal to increase the number of start-ups in Lithuania to 1,000 by 2020.⁴

The Ministry of Economy and Innovation has identified the development of the start-up ecosystem as one of its operational priorities. The working group formed by Order No 4-91 of 22 February 2018 of the Minister of Economy and Innovation 'On the Formation of a Working Group to Submit Proposals for Start-ups, the Legal Regulation of Their Activities, and Other Start-up Issues' has submitted the following proposals to encourage start-ups:

- augmentation of funding sources;
- simplification of migration procedures;
- establishment of regulation of a more attractive legal environment:
 - review of option regulation;
 - legalisation of virtual offices for legal entities;⁵
- creation of the Soft Landing package.

Augmentation of funding sources

In 2018, the Ministry of Economy and Innovation allocated EUR 11 million in European Union investment to start-ups, new Lithuanian venture capital funds started operating, and the Lithuanian Business Angel Network (LitBAN) was founded. All this contributed to an increase in the number of start-ups and improvement of the start-up ecosystem.

2 <http://invega.lt/lt/uzsienio-startuoliai-lietuvoje-gales-isikurti-greiciau/>

3 <https://www.lzinios.lt/Ekonomika/startuoliu-bumas-investiciju-rekordai/284978>

4 <http://eimin.lrv.lt/lt/naujienos/ekonomikos-ir-inovaciju-ministerija-startuolio-savoka-apibreze-istatymu>

5 The Ministry of Economy and Innovation has submitted a proposal to legalise virtual offices, i.e. to make it possible to establish companies which do not have a physical address and which carry out all communication with public authorities and other persons in the virtual space. By adopting this solution, Lithuania would become one of the first in the world to legalise virtual offices. The proposal is currently under consideration by the Seimas. The text of the draft legislation is available here: <https://e-seimas.lrs.lt/portal/legalAct/lt/TAP/a69dd541b01a11e8aa33fe8f0fea665f?positionInSearchResults=0&searchModelUUID=7b76bc06-3731-4a27-a903-c8c30e3dab04>

The Accelerator Fund was launched in 2018 – this new financial instrument includes accelerating activities (mentoring, expert advice, legal aid, marketing strategy development, etc.) while providing the opportunity to continue investing in the implementation of promising micro and small business ideas. A total of two accelerator funds and two early-stage venture capital funds are currently operating under the Accelerator Fund instrument.⁶ Since 2019, this instrument has been implemented by two managers: UAB 70 Ventures and Start-up Wise Guys, an Estonian accelerator for young entrepreneurs. The total value of these funds is over EUR 15 million, of which EUR 13.47 million comes from the European Regional Development Fund⁷.

FinTech Lt, an EU investment instrument valued at almost EUR 2 million, will be implemented in 2019–2021.⁸ By providing specialised innovation consultancy and support services, this instrument should help establish 20 new start-ups in the field of financial technology by 2020.⁹

Lithuanian start-ups will also be able to take advantage of EUR 5 million in financial support for product development – to carry out research and experimental development, fine tune ideas, and hire researchers and scientists. This will be made possible by Inostart, a new European Union (EU) investment instrument administered by the Ministry of Economy and Innovation together with the Agency for Science, Innovation and Technology. This instrument provides for two invitations to receive a total of EUR 5 million in investments. The EUR 2 million invitation is for young innovative companies that operate in the cities and districts of Vilnius, Kaunas and Klaipėda. The other – EUR 3 million – invitation is open to young innovative companies from all other Lithuanian cities and districts. The maximum amount that can be allocated to one project is EUR 23,616.¹⁰

Simplification of migration procedures

Start-up Visa, a streamlined entry process which allows temporary residence permits to be issued to third-country nationals who set up a start-up in Lithuania, was launched on 1 January 2017. On 1 July 2019, a faster process for the issue of temporary residence permits for start-ups was introduced: Enterprise Lithuania's Start-up Lithuania division (hereinafter – Start-up Lithuania)¹¹ will adopt decisions on whether a TCN's planned activities meet the requirements for a start-up twice as fast – the time frame was shortened from 30 calendar days to 15 working days, and from 30 calendar days to 5 working days for start-ups invited to venture capital

6 <http://invega.lt/lt/imoniu-akceleravimas-dar-du-nauji-rizikos-kapitalo-fondai-investuos-jaunas-imones/>

7 <https://www.esinvesticijos.lt/lt/naujienos-1/naujienos/atrinkti-nauju-akceleravimo-fondu-valdytojai->

8 <https://mita.lrv.lt/lt/veiklos-sritys/mita-vykdomi-projektai/fintech-lt>

9 http://pranesimai.elta.lt/news/public_view/187069

10 <https://sc.bns.lt/view/item/268013?q=startuoli%C5%B3>

11 Enterprise Lithuania is an agency established by the Ministry of Economy and Innovation to promote entrepreneurship, sustainable and modern business development, the Start-up ecosystem, and exports in Lithuania, and its Start-up Lithuania division is a national Start-up ecosystem facilitator that unites the entire community – from Start-ups to investors and politicians. Main activities: promoting the establishment of new Start-ups and talent entrepreneurship, shaping a positive image of the Start-up ecosystem and strengthening its public voice, organising events, arranging the evaluation of foreign Start-up business plans, etc.

and private equity funds. After assessing the documents submitted by Start-up Lithuania, the Migration Department makes the final decision on the issue of temporary Lithuanian residence permits.¹²

On 29 April 2019, the Ministry of Economy and Innovation, the Ministry of the Interior, and the Migration Department signed a memorandum on the basis of which the Start-up Employee Visa procedure for attracting, retaining and integrating foreign talents was launched. It is expected that this procedure will help reduce the barriers for the highly qualified professionals that start-ups need to come to Lithuania.¹³ With this memorandum, the Ministry of the Interior and the Migration Department pledged to implement the one-stop-shop principle for all services related to the issue of temporary Lithuanian residence permits to start-up employees, to process start-up employee applications as a matter of priority and within the shortest possible time, and to apply higher service quality standards.

It must be noted that the Start-up Employee Visa is not a new/separate basis for a third-country national to come to Lithuania to work – it is a special procedure to help start-ups (regardless of whether the founders are Lithuanians or TCNs) attract highly qualified employees from third countries. The start-up must meet the definition of a start-up (see Q2), be registered in the Start-up Lithuania start-up database, and apply to Start-up Lithuania with a request to issue confirmation that the start-up meets the requirements and can bring in highly qualified employees according to Start-up Employee Visa procedure. Once it receives this confirmation, the start-up can apply to the Migration Department for a simplified procedure: it should receive service based on the one-stop-shop principle, applications should be processed as a matter of priority within the shortest possible time.¹⁴

Improvement of the legal and tax environment

On 20 June 2019, amendments to the Law on Small- and Medium-Sized Business Development¹⁵ came into force according to which the concept of a start-up was established in Lithuania. According to this law, a start-up is defined as ‘a micro or small enterprise with large and innovation-based business development potential that has been registered with the Register of Legal Entities for no longer than five years’. Large and innovation-based business development potential is defined as ‘the ability of a small- or medium-sized business entity carrying out innovative activities to provide goods and/or services and/or expand services to international markets without using additional production resources’. According to the Minister of Economy and Innovation, the definition of a start-up by law will allow further strengthening of one of the priority areas of the national economy – the start-up ecosystem.¹⁶

12 <http://invega.lt/lt/uzsienio-startuoliiai-lietuvoje-gales-isikurti-greiciau/>

13 <https://vrm.lrv.lt/lt/naujienos/geros-zinios-startuoliams-mazins-barjerus-prisitraukti-talendus-is-uzsienio>

14 <https://www.startuplithuania.com/startup-employee-visa/>

15 <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/fb4ad4408e9411e98a8298567570d639>

16 https://www.lrs.lt/sip/portal.show?p_r=119&p_k=1&p_t=266725

On 11 July 2019, the Parliament adopted amendments to the Law on Personal Income Tax prepared by the Ministry of Economy and Innovation which establish tax relief for employees who have retained company shares acquired through options for more than three years. The change is expected to contribute to the creation and improvement of business conditions for start-ups that try to retain and motivate employees by paying part of their salary in options.¹⁷ The adopted amendment to the law provides that the profit received by an employee from options after the acquisition of shares at least three years after the option right is granted is not subject to either personal income tax or social security tax. Currently, employees who exercise their option rights and acquire shares have to immediately pay tax on the difference between the acquisition price of the shares and their fair market value, even before receiving any income. The unattractive tax treatment of options makes it difficult for start-ups to attract and retain employees, and forces companies to choose other countries. The adopted provisions of the law will apply to income from options concluded on or after 1 February 2020.

Other measures:

Provision of Soft Landing services is planned – assistance and consulting for potential and existing start-up founders and foreign start-ups, helping them move to Lithuania.¹⁸

For seven years in a row, Start-up Lithuania has organised the Start-up Fair in Lithuania – an international event that is meant to promote the creation of new start-ups in the Republic of Lithuania, attract foreign start-ups, and help existing start-ups attract foreign investment. Approximately 2,700 people have registered for this year's event, and there will also be several dozen investors and accelerator representatives.¹⁹ Start-up Lithuania also organised eight presentations in 2018 about the Republic of Lithuania start-up ecosystem and the Start-up Visa programme (once in Belarus and Georgia, and twice in Turkey, Ukraine and Russia).

Other presentations of the Lithuanian start-up ecosystem are also planned in 2019 in the most important European and global reports: Start-up Heatmap and Start-up Genome.²⁰

No

17 <https://eimin.lrv.lt/lt/naujienos/ekonomikos-ir-inovaciju-ministerija-gerina-salygas-startuoliams-opcionu-apmokestinimas-taps-patrauklesnis>

18 https://ec.europa.eu/info/sites/info/files/2019-european-semester-national-reform-programme-lithuania_lt.pdf

19 <https://www.vz.lt/paslaugos/2019/05/30/startuoliu-konferencijos-startup-fair-akimirkos#ixzz5q3BOyUWi>

20 <https://startupgenome.com/ecosystems/lithuania>

Q2. Does Lithuania have (a) a legal definition or (b) a working definition (e.g. in policy documents, strategies or internal definitions used by relevant institutions) of a 'start-up' and/or 'innovative entrepreneur'?

Yes, there is a legal definition of a start-up/innovate entrepreneur

On 20 June 2019, amendments to the Law on Small- and Medium-Sized Business Development came into force according to which the concept of a start-up was established. According to this law, a start-up is defined as follows:

- A start-up is a micro or small enterprise with large and innovation-based business development potential that has been registered with the Register of Legal Entities for no longer than five years.

Large and innovation-based business development potential is defined as 'the ability of a small- or medium-sized business entity carrying out innovative activities to provide goods and/or services and/or expand services to international markets without using additional production resources'.

According to the Minister of Economy and Innovation, Lithuania has become one of the first states in the European Union to establish the definition of a start-up by law. Although this business model is actively being applied and more and more start-ups are emerging in Lithuania, it was difficult to create a more favourable business environment for these specific companies without a definition of the concept. Therefore, the definition of a start-up by law will allow further strengthening of one of the priority areas of the national economy – the start-up ecosystem.²¹

It must be noted that the definition of a start-up was established in the field of migration on 26 January 2017 when the Minister of Economy and Innovation (then the Minister of Economy) approved the Description of the Evaluation Procedure for Determining Whether the Activities of the Company Planned to Be Established Are Related to the Introduction of New Technologies or Other Innovations That Are Significant to the Economic and Social Development of the Republic of Lithuania, and Whether the Alien Has the Necessary Qualifications, Financing and Business Plan to Carry Out These Activities.²² In this description, start-up activities were defined as follows:

- Activities related to the introduction of new technologies or other innovations that are significant to the economic and social development of the Republic of Lithuania – the introduction of new or substantially improved products (goods or services) or processes, or new marketing or organisational methods, which will have a positive impact on the economic and social development of the Republic of Lithuania in the fields of biotechnology, nanotechnology, information technology, mechatronics, electronics or laser technology,

21 <https://www.versli Lietuva.lt/naujienos/lietuva-viena-pirmuju-europoje-startuolio-savoka-apibreze-istatymu/>

22 <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/08bd84b0e40b11e6be918a531b2126ab?jfwid=wny8rk5s8>

in the practice of private legal entities or state and municipal institutions and bodies of the Republic of Lithuania.

Yes, there is a working definition of a start-up/innovative entrepreneur

No

Q3a. What are the **requirements** for starting up a business (i.e. start-up) in Lithuania?

When starting a business in Lithuania, start-ups usually choose to establish an *uždaroji akcinė bendrovė* – a private limited liability company. An *uždaroji akcinė bendrovė* (hereinafter – UAB) is a private limited liability legal entity. This means that shareholder liability for the UAB's outstanding obligations is limited to their shares. A UAB's authorised capital must be at least EUR 2,500. A UAB can be established by one or more natural and/or legal persons, and the number of shareholders is not limited. Shareholders can sell or otherwise transfer (e.g. donate, exchange, etc.) their shares in the UAB. Shareholders make major decisions by voting. Each share entitles its holder to one vote, so the person with the most shares has the greatest influence when voting at the general meeting. A UAB must have a single-person management body – the director; a collegial management body – a board – may also be formed.²³

Sometimes start-ups decide to establish a *mažoji bendrija* – a small partnership²⁴. A *mažoji bendrija* (hereinafter – MB) is a private limited liability legal entity. This means that member liability for the MB's outstanding obligations is limited. An MB can be established by up to 10 natural persons (there can also be just one founder). An MB may engage in any activity not prohibited by law. One of the advantages of establishing an MB is that there is no minimum authorised capital requirement, i.e. you do not have to have EUR 2,500, like in the case of a UAB. The main drawback is that only natural persons can be founders/members. This means that start-ups are prevented from attracting investors. Since this form of business is less favourable to start-ups, it will not be described further in the study.

As stated by the experts spoken to, start-ups usually choose UABs, with the main advantage over MBs being that investors can be legal entities (e.g. venture capital funds). The main mistakes made by start-ups during the early stages of their business are misunderstandings in the relationships of the founders (i.e. not agreeing on shares beforehand) and insufficient protection of intellectual property.

23 <https://www.verslilietuva.lt/verslauk/verslo-formos-ir-mokesciai/uzdaroji-akcine-bendrove/>

24 <https://www.verslilietuva.lt/verslauk/verslo-formos-ir-mokesciai/mazoji-bendrija/>

Q3b. What is the **process** for setting up a new business in Lithuania, from the initial application to the official registration?

To set up a business in Lithuania, the following actions must be taken:

1. Selection of a company name. A company name can be reserved in the Register of Legal Entities, where it will be protected for six months.
2. Preparation of founding documents. The mandatory documents for establishing a company are the founding agreement, which sets out the conditions for establishing the company (if the company is being established by one person, then a founding certificate is required), the articles of association of the future company, which define the company's business objectives, management bodies and competence thereof, etc., and the minutes of the constitutive meeting of shareholders, by which the members of the company's management bodies are approved.
3. Granting of a registration address. The owner of the premises where the company's office will be registered must consent to the company's office being registered there. If the premises are pledged to a bank, permission must also be obtained from the bank.
4. Formation of authorised capital. If a private limited liability company (UAB) is being established, the minimum authorised capital (currently EUR 2,500) must be formed. Upon presenting the company's founding agreement, a deposit account must be opened in a bank where the above-mentioned amount must be deposited. The bank then issues a certificate that the authorised capital has been formed. In cases where the authorised capital is higher, part of it can be paid in assets after performing a valuation of the assets. In any case, monetary capital must make up at least a quarter of the total authorised capital and must be at least EUR 2,500.
5. Notary certification. A notary public must certify that the documents submitted – the founding documents, the certificate regarding name reservation and the premises where the company's office is being registered, and the bank certificate regarding the formation of authorised capital – comply with legal requirements.
6. Company registration. The notary-certified documents must be submitted to the State Enterprise Centre of Registers, which registers the company.

A company can be established electronically, i.e. all documents can be submitted directly to the State Enterprise Centre of Registers electronically, if:

- the founder has a qualified electronic signature;²⁵

25 At present, a qualified electronic signature can be used if issued by: the Certification Centre of the State Enterprise Centre of Registers, mobile phone operators Bitė, Telia, Tele2 and Teledema, or the Identity Documents Personalisation Centre under the Ministry of the Interior, i.e. use an identity card that contains an authentication certificate and a qualified electronic signature certificate.

- the documents are drawn up according to approved templates (for statutes, articles of association and the founding certificate or founding agreement);
- the short name of the state ('Lithuania') is not intended to be used in the name of the legal entity;
- there is a consent form signed electronically by the owners of the premises to use the premises to register the office (if the premises are not the personal property of the founder);
- the shares of a private limited liability company are paid in monetary contributions;
- the name is entered temporarily in the Register of Legal Entities.

According to the experts who were interviewed in preparing the study as well as foreign start-ups themselves, setting up a new business really is easy for Lithuanians who have a qualified electronic signature. However, third-country nationals face problems. One of the easiest ways for a third-country national to obtain a qualified electronic signature is to go to a mobile phone operator. However, the electronic signature will not be granted if the TCN does not yet have a temporary Lithuanian residence permit, but has come with a national or Schengen visa and is waiting for the temporary residence permit to be issued.²⁶ If a foreigner already has a temporary residence permit and would like to set up a company online through the Centre of Registers, this is also difficult because the procedure and the main documents are in Lithuanian. So foreigners who want to set up a business in Lithuania usually need help.

Another problem that start-ups face in setting up a company is opening a bank account. Banks will usually not open a bank account if the third-country national does not have a permit to reside temporarily or permanently in Lithuania. Third-country nationals who do not have a bank account cannot set up a company.

Q3c. How long does it take to set up a business in Lithuania? Please distinguish between (a) maximum timeframe for registration as declared by the relevant institution and (b) the time it takes in practice.

When it receives a request to temporarily enter the name of a company in the Register, the State Enterprise Centre of Registers checks to make sure that the name is not the same as the name of any registered legal entity, a name temporarily included in the Register, or national, Community or international trademarks expanded to Lithuania. If no duplication is found, the name is coordinated with the State Commission of the Lithuanian Language and temporarily entered in the Register within one working day.

Preparation of founding documents, formation of the authorized capital, signing at the notary can take time and depends very much on various circumstances.

26 <https://www.telia.lt/m-parasas>

Upon receiving a request electronically and confirming that there are no obstacles to registering the legal entity, the State Enterprise Centre of Registers registers said entity within one working day of the application being submitted.

If the company founder has an electronic signature, the procedure takes no more than two working days. When establishing a company at a notary public, the procedure takes at least a few days longer.

Q3d. What is the **cost** to register a business?

The following fees have to be paid when setting up a private limited liability company (UAB):

- Reservation of a temporary UAB name at the Centre of Registers. The name may be reserved for a period of six months. The price of this service is EUR 16.22.
- Notary fee. There is no single price in this case. Prices for notary services in checking and certifying documents and data for a UAB can amount to around EUR 200. This fee does not apply if the company is established electronically.
- A registration fee of EUR 57.34 is charged at the Centre of Registers for the registration of a legal entity.
- The minimum authorised capital for a UAB is EUR 2,500.

Q3e. Have there been any **evaluations** or **public debates** on the business environment in Lithuania? – i.e. have any administrative barriers been identified on how easy or difficult (burdensome) is to set up a business in Lithuania? What are the main conclusions? Please explain, providing evidence, if available.

Setting up a business in Lithuania is not difficult. The World Bank's Doing Business Report ranked Lithuania 14th in 2019 for ease of doing business.²⁷ For comparison, Estonia was ranked 16th, while Latvia was 19th and Poland was 33rd.

With an electronic signature in Lithuania, a company can be set up electronically. Once it receives all of the documents, the State Enterprise Centre of Registers will register the company in one working day.

Making establishing a business easier and even more simplified is also provided for in the Action Plan for the Implementation of the Programme of the Government of the Republic of Lithuania that was approved by the Government of the Republic of Lithuania, in which one of the measures in implementing the 'Sustainable and Competitive Economic Development'

27 <https://www.doingbusiness.org/en/rankings>

priority is 'Improving Business Conditions and the Investment Environment and Enhancing Consumer Protection'. The objective set by the Government is to reach 10th place in the Doing Business ranking by 2020 (when the document was being drawn up in 2016, Lithuania was in 21st place).

Q4a. Do **hubs** and **ecosystems** exist in Lithuania?

Yes

It could be said that there is currently a full start-up ecosystem in Lithuania that includes all of the constituent parts: hackathons, state subsidies (including measures offered by the Agency for Science, Innovation and Technology and INVEGA), a couple of accelerators, a business angel network, a few early-stage investment funds, and a few late-stage investment funds.²⁸

CEOWORLD magazine ranked Lithuania 24th in its Most Start-up Friendly Countries In The World 2019 Rankings.²⁹ For comparison, Poland was ranked 7th, while Estonia was 16th and Latvia was 36th.

According to data from Start-up Lithuania, there were more than 600 start-ups operating in Lithuania in mid-2019. Given, the start-up market is still young – half of the start-ups operating in Lithuania are in their initial growth stage, i.e. they are still in the process of developing the idea, and income is not yet being generated or is low. Another 25 per cent of start-ups are at the stage of product development, hunting for customers, and market entry.³⁰ As stated by the experts spoken to, start-ups are actively setting up business and their ideas have potential, but many of them are still lacking knowledge/skills in the areas of sales, finance and law.

Start-up Lithuania is a national start-up ecosystem facilitator that unites the entire community – from start-ups to investors and politicians. Start-up Lithuania's main activities are: promoting the establishment of new start-ups and talent entrepreneurship; promoting competence development and business expansion among existing start-ups; shaping a positive image of the start-up ecosystem; organising events; publicising Lithuania's start-up and ecosystem success stories in Lithuania and abroad; shaping Lithuania's image in Lithuania and abroad as the most favourable country for start-ups; reinforcing a unified start-up ecosystem and helping it achieve clear results.

The Lithuanian Business Angel Network (LitBAN) was founded in March 2018. In its first year of operation, LitBAN hosted 10 Start-up Pitch events that 185 start-ups applied to participate in, of which 48 were introduced to investors and 17 were of interest to investors. At present, the network has 50 business angels and 10 corporations who regularly meet for educational seminars to promote cooperation between investors, the public sector and business angels.³¹

28 <https://sc.bns.lt/view/item/301171?q=startuoli%C5%B3>

29 <https://ceoworld.biz/2019/01/02/most-startup-friendly-countries-in-the-world-2019/>

30 <https://www.lzinios.lt/Ekonomika/startuoliu-bumas-investiciju-rekordai/284978>

31 <https://www.esinvesticijos.lt/lt/naujienos-1/naujienos/lietuvos-verslo-angeli-tinklas-iesko-perspektyviausio-logistikos-startuolio-kviecia-prisistatyti-metineje-asamblejoje-ir-gauti-10-000-euru-investicija>

Two accelerator fund managers were selected in 2018: Start-up Wise Guys and UAB 70 Ventures, each of which established two venture capital funds in 2019 (accelerator and early-stage)³²:

- Start-up Wise Guys manages the Wise Guys Pre-Seed Fund I, a pre-seed venture capital fund that will train and provide start-ups with business development knowledge and then later invest in them, and Wise Guys Seed Fund I, a seed fund that will co-invest in young companies at an early stage. The size of both funds is about EUR 7.7 million, of which EUR 6.82 million comes from public sector funds.
- 70 Ventures manages 70 Ventures Accel, a pre-seed venture capital fund that will train and provide start-ups with business development knowledge and then later invest in them, and 70 Ventures Seed, a seed fund that will finance young companies at their later stages of development. The size of both funds is about EUR 7.8 million, of which EUR 6.82 million comes from public sector funds.³³

Other venture capital funds such as Practica Venture Capital, Open Circle Capital, Iron Wolf Capital, Business Angels Fund II, LitCapital, Livonia Partners, BaltCap Private Equity Fund II and Contrarian Ventures are also in active operation.³⁴

As both public and private sector experts have stated, with INVEGA currently implementing and administrating risk capital measures (such as the Accelerator Funds, the Early-Stage and Development Funds, the Co-Investment Fund, etc.), investment in start-ups has increased in the market and created favourable conditions for them to grow and develop faster. INVEGA is a state-controlled financial institution whose main operational objectives are to provide financial services and implement and administer financial and other business financing instruments.³⁵

In recent years, the involvement of business in the growth of the start-up ecosystem has also increased dramatically. The Blockchain Centre has been opened as well as the SEB Innovation Centre – a collaboration and innovation space for financial and other innovative technology enthusiasts, start-ups and small- and medium-sized enterprises. The centre is equipped with places for work, meetings and events. Over the next year, SEB Bank intends to invest EUR 2 million in start-ups looking to develop and create new-generation financial services for customers.³⁶

Since 2013, Start-up Lithuania has organised the Start-up Fair, an annual event that is meant

32 <http://invega.lt/lt/rizikos-kapitalo-investicijos/kvietimas/akceleravimo-fondas/>

33 <http://invega.lt/lt/imoniu-akceleravimas-dar-du-nauji-rizikos-kapitalo-fondai-investuos-jaunas-imones/>

34 <https://www.verslilietuva.lt/verslauk/finansavimo-saltiniai/lietuvos-rizikos-ir-privataus-kapitalo-imonis/>

35 INVEGA's activities are focused on the implementation of state-funded measures for promoting small and medium business and economic entities during the Start-up, execution and development phases, as well as for the creation and/or retention of jobs or improving competitiveness. Some of the measures and activities implemented by INVEGA have been implemented and financed using state budget funds, funds returned to INVEGA-controlled holding funds, and 2014–2020 European Structural and Investment Funds.

36 <https://www.vz.lt/technologijos-mokslas/2018/12/14/salies-startuoliai-siomet-pritrauke-70-mln-eur-investiciju#ixzz5nrtru9jY>

to grow and develop the Lithuanian start-up ecosystem, introduce international investors to start-ups with potential, and spread information on the international level about Lithuania as an attractive and start-up-friendly country.³⁷

According to the Ministry of Economy and Innovation and representatives of venture capital funds, Lithuania has a lot of potential in the field of start-ups, but one of the problems is Lithuanian education: the quality of studies is not very high – especially in terms of technological literacy or entrepreneurship – so more should be invested in education, study programmes and technological progress.

An analysis conducted by Start-up Lithuania shows that a portion of early-stage start-ups do not develop their product due to a lack of knowledge or financial resources. For these reasons, two new acceleration funds were launched in Lithuania in 2019.

According to representatives of venture capital funds, there are definitely enough financing opportunities in Lithuania at the moment, but start-up founders often do not have enough knowledge in the areas of finance, law or sales. There is also a lack of successful start-ups that have received international recognition and investments and could encourage other start-ups to become established, take a risk, and expand into other markets. As a market, Lithuania might be suitable for testing a business, but it does not have high development potential.

No, there are no major entrepreneurial hubs and ecosystems

Q4b. What is the role of cities or specific regions in creating and supporting entrepreneurial ecosystems and start-up hubs in Lithuania? Please describe by providing examples.

According to data from the Start-up Lithuania database, there were more than 600 start-ups registered in the July of 2019. The majority (73 per cent) of start-ups were based in Vilnius, with 21 per cent in Kaunas and only 3 per cent in Klaipėda. The municipalities of Vilnius, Kaunas and other cities were all active supporters of various creative workshops and hackathons, and opened up city data to all residents of the cities interested in creating new solutions.

Vilnius

Vilnius is, without a doubt, the main city where start-ups are emerging. Vilnius is actively promoting itself as an open and friendly city for foreigners. Go Vilnius – the official development agency of the city of Vilnius – helps foreign talents (including start-ups) get settled in Vilnius, organising meetings with other state institutions as needed.

Vilnius is also home to Vilnius Tech Park, which is the largest IT start-up centre in the Baltic and Nordic countries and brings together international start-ups, technology companies, ven-

37 <https://sc.bns.lt/view/item/262465?q=startuoli%C5%B3>

ture capital funds, accelerators, incubators and other ecosystem actors in order to influence the region's start-up ecosystem and grow on an international level.³⁸

Barclays opened Rise Vilnius in Vilnius in 2016 as one of the bank's several fintech centres located in major cities around the world, including Mumbai, Tel Aviv, London and New York. Rise Vilnius has collaborated with projects such as Women Go Tech, Future Entrepreneurs, Diversity Charter, Facebook Developer Circles and DEX Mettup.³⁹ This space is not just a physical workplace – it is also a place for events and training. Rise Vilnius was purchased by Swedbank in 2019 and renamed 'Rokit'⁴⁰. The centre will continue to bring together fintech and other technology enthusiasts, organise events, and promote innovation. Swedbank is also bringing a new partner to Rokit. An agreement has been signed with the European Bank for Reconstruction and Development (EBRD) according to which this institution will provide funding for promising early-stage start-ups and access to an exclusive network of advisers. The EBRD will also provide support for Rokit's operational development and initiatives. In addition, Swedbank and Rokit will work with one of the largest and most active accelerators in the region – Start-up Wise Guys. Together, the partners will develop the Wise Guys Fintech 3 Accelerator, a financial technology accelerator programme to promote the development of fintech solutions, and will provide programme participants with starting capital and jobs, as well as advice on business development.

Kaunas

In 2018, the city of Kaunas began implementing the Kaunas Start-ups programme, during which start-up accelerator activities were carried out.⁴¹ As part of the programme, over 40 experts and international mentors worked intensively with start-ups to develop their business. The programme was designed to help B2B tech start-ups that have ideas with potential to fine tune their product, enter the market, and establish useful contacts with investors and other professionals. The programme has helped new start-ups prepare to compete in the market for investment, and has helped advanced start-ups ensure effective development.⁴² The accelerator was implemented by the business consulting firm Civitta, Start-up Division and Start-up Wise Guys.

Kaunas is also home to the Kaunas University of Technology Start-up Space community. This is an open community for Kaunas start-ups that unites creative teams from the earliest (idea) stage and provides start-ups with team coordination, counselling, mentoring, expert support, training, events, and help looking for partners.⁴³

38 <https://vilniustechpark.com/>

39 <https://www.vz.lt/paslaugos/2019/05/16/barclays-parduoda-rise-vilnius-bankui-swedbank>

40 <https://www.vz.lt/paslaugos/2019/07/01/rise-vilnius-tapo-rokit#ixzz5smiu6Kkb>

41 <http://www.kaunas.lt/2018/09/naujienos/kaunas-kuria-pirma-salyje-startuoliu-akceleratoriu/>

42 <http://kaunasin.lt/kauno-startuoliai/akceleratorius/?lang=lt>

43 <https://startupspace.ktu.edu/>

Klaipėda

Klaipėda city has the strategy “Klaipėda 2030: Vision, Development Scenario and Strategic Directions”⁴⁴ and the implementation plan⁴⁵, for this strategy, which states that one of the weaknesses of Klaipėda is the lack of a start-up ecosystem. The strategy aims to improve business conditions for targeted small and medium-sized businesses and to promote the start-up ecosystem; develop existing business incubators to help start-ups in priority areas grow by providing the necessary space and soft infrastructure⁴⁶; set up a business development accelerator; create a start-up funding mechanism. Interviewed experts from Klaipėda ID⁴⁷ and Klaipėda Science and Technology Park (KSTP)⁴⁸ supported the statement that the start-up ecosystem in Klaipėda is still developing and additional incentives are needed for more start-ups to be established in Klaipėda. According to experts, there are not many start-ups in Klaipėda, often potential start-up developers find jobs in big companies or go to other cities. KSTP provides free help to young companies to develop a business model, search for partners and investors, assist in product prototype development, and provide other necessary advice. According to the KSTP representative, one of the main difficulties is the relatively small number of students in Klaipėda. If the number of students, including those from abroad, increased, then they could be more actively encouraged to establish start-ups in Klaipėda.

In 2019 Lighthouse⁴⁹, a collaborative space with an integrated living space, was opened in Klaipėda. It is the first collaboration space in Klaipėda, where start-ups, growing and advanced business and research centers are planned to be established. The goal is to build an active talent community and initiate collaboration between business, science and government institutions to develop innovative, interdisciplinary projects.

Q5. What are the main **sectors** and **industries** in which Lithuania aims to attract/attracts start-ups and innovative entrepreneurs?

According to data from the Start-up Lithuania database, there were 600 start-ups registered in the July of 2019. The most popular form of operation among these start-ups is a private

44 https://www.klaipeda.lt/data/public/uploads/2018/03/keps_ii-etapo-rezultatas_vizija-vystymosi-scenarijus-ir-strategines-kryptis.pdf

45 https://www.klaipeda.lt/data/public/uploads/2018/04/klaipedos-miesto-ekonomines-pletros-strategija-ir-veiksmu-planas_lt_v1.01.pdf

46 “Soft infrastructure” would include the organisation of networking activities for residents, the provision of targeted information on regional, international events and funding opportunities.

47 Klaipėda ID is a multifunctional service agency for business, investors and talent, established by Klaipėda City Municipality. As a one-stop-shop, the agency provides information on the investment environment and priority sectors and sub-sectors in Klaipėda, steps how to set up a business, while discovering career opportunities in the city, and setting up a platform where inhabitants can propose ideas how to develop the city.

48 KSTP is a hub for the promotion of an innovative environment in the Klaipėda region, aiming at close and focused cooperation between science and business, increased economic competitiveness, creating favourable conditions for a start-up ecosystem. KSTP provides specialised services in the areas of “green” and “blue” (maritime) technologies, which are identified as priorities.

49 <https://lighthouse.lt/>

limited liability company (UAB). More than one-third (39 per cent) of start-ups work in the information technology (IT) sector, 14% in financial technology, 7 per cent in healthcare, 6 per cent in the field of computer games.

The Ministry of Economy and Innovation has listed financial technology and life sciences as priority areas for start-ups.

Lithuania is known worldwide as an attractive place to set up a financial technology business.⁵⁰ According to Start-up Lithuania, a suitable and very solid foundation has been formed in Lithuania for development of the financial technology sector. The support of the Bank of Lithuania and the government as well as the decisions made to improve the environment of the financial technology sector make it clear that Lithuania is one of the centres of financial technology in Europe.⁵¹ Representatives of the International Monetary Fund have praised Lithuania's leadership in the financial innovation sector.⁵² According to the Bank of Lithuania, the fintech market in Lithuania is expanding rapidly, with approximately 100 new companies expected to enter it this year. Almost 120 licenses have already been issued (for electronic money and payment institutions, crowdfunding and peer-to-peer lending platform operators, specialised banks).⁵³ Foreign start-ups are also very interested in the field of financial technology that is being successfully developed in Lithuania – this field was one of the most popular among the applications submitted by foreign start-ups in 2018.

Agency for Science, Innovation and Technology has begun developing initiatives such as FinTech LT and Promotion of Life Sciences Technologies, which provide favourable conditions for start-ups to set up. FinTech Lt, an EU investment instrument valued at almost EUR 2 million, will be implemented in 2019–2021. By providing specialised innovation consultancy and support services, this instrument should help establish 20 new start-ups in the field of financial technology by 2020.

According to the Agency for Science, Innovation and Technology, it is also important to promote the creation of new business in the fields of artificial intelligence, robotics and other promising technologies.⁵⁴ A new EUR 5 million fund has also been established for start-ups by the transport sector to encourage companies to develop mobility services and products, intelligent transport systems, and innovative technologies to reduce CO2 emissions from transport.⁵⁵

Recently, Lithuanian start-ups have clearly been influenced by the financial technology, blockchain and initial coin offering (ICO) boom.⁵⁶ A significant portion of start-ups applying for the

50 <https://sc.bns.lt/view/item/266983?q=startuoli%C5%B3>

51 <https://sc.bns.lt/view/item/266983?q=startuoli%C5%B3>

52 <https://www.15min.lt/verslas/naujiena/finansai/tvf-pareigunas-lietuvai-svarbu-pasinaudoti-fintech-galimybemis-662-1157664>

53 <https://www.15min.lt/verslas/naujiena/finansai/tvf-pareigunas-lietuvai-svarbu-pasinaudoti-fintech-galimybemis-662-1157664>

54 <https://www.15min.lt/verslas/naujiena/pranesimai/startuoliu-valstybes-issukiai-laukiame-vienaragio-stipriname-ekosistema-semiames-tarptautiskumo-231-1136110>

55 <https://www.15min.lt/verslas/naujiena/bendroves/susisiekimo-startuoliams-5-mln-euru-fondas-663-1140988>

56 <https://sc.bns.lt/view/item/263039?q=startuoli%C5%B3>

Start-up Visa programme are developing their businesses using blockchain and artificial intelligence technologies. Last year, several life science start-ups also expressed their interest to receive a start-up visa.⁵⁷

57 <https://structum.lt/straipsnis/lietuva-tampa-startuoliu-inkubatoriumi/>

2.

National legal and policy framework in Lithuania for admission of start-ups and innovative entrepreneurs from third countries

Q6. Is attracting start-ups and innovative entrepreneurs from third countries a national policy priority?

Yes, this is a national policy priority

According to the Ministry of Economy and Innovation, if Lithuania wants to become one of the European start-up centres and have a community of a thousand start-ups, it must not only grow young, innovative Lithuanian companies, but also attract promising foreign start-ups.⁵⁸

When the amendments to the Law on the Legal Status of Aliens (hereinafter – the LLSA) entered into force in 2017, a start-up admission scheme was introduced in Lithuania. A temporary residence permit can be issued on this basis to third-country nationals who intend to engage in the introduction of new technologies or other innovations that are significant to the economic and social development of the Republic of Lithuania.

As stated by the Minister of Economy and Innovation at that time, once the rules are confirmed, more flexible migration rules for companies that create high added value will take effect in reality – no more fixed capital or mandatory number of employees will be required. The relatively strict requirements that had previously been in place did not encourage foreign talents to choose Lithuania for their innovative businesses. The situation changed with the introduction of the start-up admission scheme – now it is much easier for foreigners who want to contribute to the creation of innovation in our country to start their activities.⁵⁹

No, this is not a major national policy priority

Q7a. Does your national legislation provide for a special **visa or residence permit** to facilitate the immigration of start-up founders and innovative entrepreneurs from third countries?

Yes, a special visa is in place to facilitate the immigration of TCN start-up founders

Yes, a special residence permit is in place to facilitate the immigration of TCN start-up founders

According to the LLSA, a temporary residence permit is issued to start-ups for one year and it is possible to extend it for two additional years⁶⁰. After three years, the foreigner can apply for a temporary Lithuanian residence permit as a manager or shareholder of a company on the basis of engagement in lawful activities.

No, other type of residence permit is commonly used to facilitate the immigration of start-ups/innovative entrepreneurs from third countries

58 <https://www.verslilietuva.lt/naujienos/vis-daugiau-uzsienio-startuoliu-renkasi-kurti-versla-lietuvoje/>

59 <https://www.verslilietuva.lt/naujienos/vis-daugiau-uzsienio-startuoliu-renkasi-kurti-versla-lietuvoje/>

60 This provision entered into force on 26 July 2019. Until then, a temporary residence permit on the basis of a start-up was issued for one year with the possibility of a one-year extension.

No, a visa or residence permit is not in place, however, there is a specific programme or other initiatives intended to facilitate the immigration of start-ups and innovative entrepreneurs from third countries.

Q7b. If Lithuania has a special visa/residence permit in place for start-up founders, please explain Lithuania's **rationale** for adopting such schemes.

The start-up admission scheme was introduced in order to establish more favourable conditions for the admission of third-country nationals who could contribute in creating social and economic well-being for the state, increasing the country's competitiveness, and expanding the start-up ecosystem.

Q7c. If yes, when was the start-up scheme introduced?

The start-up admission scheme came into effect on 1 January 2017 with the entry into force of the amendments to the LLSA.

According to Start-up Lithuania, the Start-up Visa programme that was launched in 2017 is seeing more and more interest from foreign start-ups. The Lithuanian start-up ecosystem is most attractive to entrepreneurs from Belarus, Ukraine and Russia, who feel that the existing legal and tax system in Lithuania is suitable for the development of innovative businesses; the cultural and language aspects are also an advantage. However, applications have been received from countries such as Japan, South Korea or Australia as well.

In June 2019, there were over 600 start-up companies in the Start-up Lithuania database, 30 of which were carrying out activities after taking advantage of the Start-up Visa programme. Eight businesses were established in 2017, eleven in 2018, and another eleven in 2019 (until June 2020). The activities of foreign start-ups that have established companies in Lithuania vary from the assessment of artwork to the development of cybersecurity solutions or an augmented reality training platform.

Q7d. If yes, what legal pathways were used by start-up founders before introducing a specific start-up scheme?

Up until 1 January 2017, when the amendments to the LLSA came into force, third-country nationals who wanted to set up a start-up in Lithuania could only do so by applying for a temporary residence permit on the basis of engagement in lawful activities. According to the law in force at that time, there had to be at least three citizens or permanent residents of the Republic of Lithuania employed at the company. As Invest in Lithuania has said, this condition was difficult to meet for new and promising start-ups, so by creating a separate procedure

for start-ups and separating them from other third-country nationals, migration procedures were made easier.⁶¹

Q7e. If no, has there been a policy debate about the reasons for not introducing a special scheme?

Not applicable.

Q8a. Does your national legislation provide for a special visa/residence permit to facilitate the immigration of TCN start-up **employees**?

- Yes, a special visa is in place to facilitate the immigration of start-up employees from third countries
- Yes, a special residence permit is in place to facilitate the immigration of start-up employees from third countries
- No

National legislation does not currently provide for special conditions to facilitate the immigration of TCN start-up employees. However, on 29 April 2019, the Ministry of Economy and Innovation, the Ministry of the Interior, and the Migration Department signed a memorandum on the basis of which the Start-up Employee Visa procedure for attracting, retaining and integrating foreign talents was launched. It is expected that this procedure will help reduce the barriers for the highly qualified professionals that start-ups need to come to Lithuania. The Ministry of the Interior and the Migration Department have committed to implementing the one-stop-shop principle for all services related to the issue of temporary Lithuanian residence permits to start-up employees, processing start-up employee applications as a matter of priority and within the shortest possible time.

Q8b. If Lithuania has a special visa/residence permit in place for start-up employees, please explain the **rationale** for adopting such schemes.

According to the Minister of the Interior, if Lithuania wants to bring in highly skilled employees from abroad and promote their retention and successful integration in Lithuania, it must also create favourable conditions for this. Administrative barriers should not be an obstacle in employing the necessary staff. In assessing security as a priority in the field of migration policy, efforts will be made to bring about the necessary changes through cooperation both

61 <https://investlithuania.com/lt/naujienos/uzsienio-startuoliai-ir-talantai-gelbejami-nuo-biurokratijos/>

in procedures and in legal regulation, in order to enable start-ups to attract talents from third countries more flexibly and quickly.⁶²

Q8c. If yes, when was the start-up scheme for employees introduced?

The Start-up Employee Visa procedure was launched on 29 April 2019, after the memorandum was signed by the Ministry of Economy and Innovation, the Ministry of the Interior and the Migration Department.

Q9a. Are there any planned changes in law/ policy/ practice regarding start-ups or other innovative entrepreneurs from third countries in Lithuania?

Yes

According to Start-up Lithuania, the new partner network allows for the optimisation of processes – for example, shortening the Start-up Visa programme procedures. On 1 July 2019, a faster procedure for the issue of temporary residence permits for start-ups was introduced: Start-up Lithuania will adopt decisions on whether a TCN's planned activities meet the requirements for a start-up twice as fast – the time frame was shortened from 30 calendar days to 15 working days, and from 30 calendar days to 5 working days for start-ups invited to venture capital and private equity funds. After assessing the documents submitted by Enterprise Lithuania, the Migration Department will make the final decision on the issue of temporary Lithuanian residence permits. In this way, foreign innovators will be able to move to Lithuania much faster and develop their business in our country.

The Start-up Employee Visa procedure was also introduced in Lithuania in 2019 and will create conditions to attract talents from third countries more flexibly and quickly.

No

Q9b. If Lithuania does not have any special schemes in place for start-up founders/employees, is Lithuania **planning to introduce** these regulations in coming years?

Yes

No

There are currently no plans to introduce new schemes for start-up founders/employees, since the current regulation is considered to be sufficient.

62 <http://migracija.lrv.lt/lt/naujienos/geros-zinios-startuoliams-mazins-barjerus-prisitraukti-talentus-is-uzsienio>

Q9c. Have there been any recent or ongoing **national public/policy debates** with regard to facilitating the immigration of start-ups and innovative entrepreneurs from third countries?

Yes

When the start-up admission scheme was introduced in 2017, experts welcomed this step:

- According to Cobalt Law Firm, the start-up visa was a significant and positive step in creating an appropriate legal base for start-ups to operate in Lithuania, as well as for attracting foreign talent and investment.⁶³
- According to Metida Law Firm, the start-up visa is a great chance not only for foreigners, but also for Lithuania. The start-up visa is a very auspicious opportunity for foreign start-ups to launch and develop activities in Lithuania without lengthy bureaucratic procedures. The lawyers have said that the changes are in line with the needs of modern business and global economic conditions; furthermore, they provide Lithuania with new opportunities to attract innovative foreign specialists and new business ideas, and will encourage foreigners to link their future plans to Lithuania, thus compensating for the losses caused by emigration.⁶⁴

In 2019, an amendment to the Law on Personal Income Tax was approved on more favourable taxation of options,⁶⁵ and a memorandum was signed on the basis of which the Start-up Employee Visa procedure for attracting, retaining and integrating foreign talents was launched, the changes to the LLSA allowed to extend the Start-up Visa program from two to three years. It is also planned to increase support from Enterprise Lithuania for start-up founders and TCN start-ups moving to Lithuania.⁶⁶

No

63 <https://www.lzinios.lt/ekonomika/startuoliu-vizomis-sauksis-versliu-uzsienieciu/236407>

64 <https://metida.lt/links/aktualijos/>

65 https://www.lrs.lt/sip/portal.show?p_r=35403&p_k=1&p_t=267319

66 <http://eimin.lrv.lt/lt/naujienos/ekonomikos-ir-inovaciju-ministerija-startuolio-savoka-apibreze-istatymu>

3.

Admission conditions
for start-ups
and innovative
entrepreneurs from
third countries

3.1. ADMISSION CONDITIONS FROM THE BUSINESS (START-UP) PERSPECTIVE – EVALUATING THE BUSINESS PLAN AND CONDITIONS THAT NEED TO BE MET TO QUALIFY AS A START-UP

Q10. Please explain what are the **requirements/criteria to be qualified as a start-up or innovative entrepreneur** (e.g. investment, innovative scalable business model⁶⁷, prior registration in the MS, etc)?

Based on Article 45¹ of the LLSA, a temporary residence permit may be issued to third-country national who intends to engage in lawful activities related to the introduction of new technologies or other innovations that are significant to the economic and social development of the Republic of Lithuania, provided that the authority delegated by the Minister of the Economy confirms in writing:

- that the lawful activities that the TCN intends to engage in are related to the introduction of new technologies or other innovations that are significant to the economic and social development of the Republic of Lithuania, and
- that the TCN has the necessary qualifications, financing and business plan to carry out these activities, and
- that the presence in the Republic of Lithuania of this TCN, who will be a participant in the company to be established, is necessary for the activities of this company.

Based on Order No 4-362 of 12 June 2019 of the Minister of Economy and Innovation 'On Amendment of Order No 4-56 of 26 January 2017 of the Minister of the Economy "On Approval of the Description of the Evaluation Procedure for Determining Whether the Activities of the Company Planned to Be Established Are Related to the Introduction of New Technologies or Other Innovations That Are Significant to the Economic and Social Development of the Republic of Lithuania, and Whether the Alien Has the Necessary Qualifications, Financing and Business Plan to Carry Out These Activities"' (hereinafter – the Evaluation Procedure), activities related to the introduction of new technologies or other innovations that are significant to the economic and social development of the Republic of Lithuania are the introduction of new or substantially improved products (goods or services) or processes, or new marketing or organisational methods, which will have a positive impact on the economic and social development of the Republic of Lithuania in biotechnology, nanotechnology, information technology, mechatronics, electronics, financial technology, laser technology or other fields, in the practice of private legal entities or state and municipal institutions and bodies of the Republic of Lithuania.

⁶⁷ "Scalability is one of the most important factors for entrepreneurs considering starting a new business or hoping to take a current business to the next level. Successful business growth depends on a scalable business model that will increase profits over time, by growing revenue while avoiding cost increases." Source: www.entrepreneur.com

Q11. Please explain the **process of evaluating** the start-ups/innovative entrepreneurship.

Based on Order No 4-770 of 9 December 2016 of the Minister of the Economy, Enterprise Lithuania is responsible for evaluating whether the lawful activities that the TCN intends to engage in are related to the introduction of new technologies or other innovations that are significant to the economic and social development of the Republic of Lithuania, whether the TCN has the necessary qualifications, financing and business plan to carry out these activities, and whether the presence in the Republic of Lithuania of this TCN, who will be a participant in the company to be established, is necessary for the activities of this company.

Enterprise Lithuania's Start-up Lithuania division is directly responsible for receiving start-up applications and organising the evaluation procedure.

The Evaluation Procedure approved by Order No 4-56 of 26 January 2017 of the Minister of the Economy was valid from 1 January 2017 through 30 June 2019.⁶⁸ This procedure was simplified as of 1 July 2019, after a new procedure was approved by the Minister of Economy and Innovation.⁶⁹

As of 1 July 2019, the procedure for evaluating start-ups is as follows:

1. A third-country national who would like to get a temporary residence permit must submit a completed application (hereinafter – application) through the www.start-upvisalithuania.com online application administration platform (hereinafter – the platform).
2. Initial evaluation of the application is carried out by Start-up Lithuania within two working days of the date of submission of the application. A check is done to make sure that the submitted application is completed properly and in full, and that all of the documents specified in the application are provided. Start-up Lithuania has the right to request, at any stage, that shortcomings in the application be rectified and/or additional documents be submitted.
3. Once an application completed properly and in full is submitted, an interview is conducted with the TCN using information and communications technology (through videoconferencing, teleconferencing, etc.). The TCN's facial image is captured during the interview. Other persons who intend to set up the company with the applicant may participate in the interview (or must participate if required by the authority). A video and audio recording is made during the interview that must be kept together with the submitted application, documents and information.
4. If it emerges during the interview that not all relevant information was specified in the application, Start-up Lithuania provides the opportunity and gives a specific deadline for the TCN to supplement the application through the platform.

68 <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/08bd84b0e40b11e6be918a531b2126ab?jfwid=wny8rk5s8>

69 <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/2f4c01308d4911e98a8298567570d639>

5. Once the application has been duly completed, Start-up Lithuania forwards the application evaluation to the Evaluation Commission by the next working day. The commission is made up of seven members. People with experience working with innovations, high technology, businesses that create high added value, and investment attraction are appointed as commission members. Within 10 working days of receipt of the information, the commission provides Start-up Lithuania with a conclusion of a recommendatory nature regarding approval or rejection of the application.
6. Based on the commission's conclusion, Start-up Lithuania makes a decision on whether the submitted application meets the criteria for start-ups. The TCN is informed of the decision taken by the next working day. If the TCN completes the application properly, the entire process should not take more than 15 working days.
7. If an application is submitted by a TCN who has received an invitation from a venture or private equity fund, the decision-making period is shortened. If the TCN completes the application properly, the entire process should not take more than five working days.
8. The decision is valid for three months from its adoption. The expiration date is specified in the decision. During this period, the TCN must come to Lithuania and obtain a temporary residence permit. After receiving a temporary residence permit, the foreigner must notify Start-up Lithuania in writing within 30 days of the temporary residence permit being issued of the establishment of the company and the commencement of its activities. Otherwise, Start-up Lithuania will notify the Migration Department of the non-compliance with the program conditions and the Migration Department will take a decision on the withdrawal of the temporary residence permit.

The procedure for evaluating a start-up business from 1 January 2017 to 30 June 2019 was very similar, except for a few aspects:

- Under the old procedure, the process evaluation of an application could take approximately 30 calendar days, while now it takes no more than 15 working days if the application is completed properly.
- There was no fast track procedure for TCNs who receive invitations from the venture or private equity funds.

According to data from Start-up Lithuania, 178 Start-up Visa applications were received in 2018, of which 41 were approved. A total of 126 applications were received in 2017, of which 28 were eligible to receive a start-up visa and set up a business in Lithuania.⁷⁰

70 <https://www.versli Lietuva.lt/naujienos/vis-daugiau-uzsienio-startuoliu-renkasi-kurti-versla-lietuvoje/>

Q11a. Who assesses the eligibility of the start-up?

Based on Order No 4-770 of 9 December 2016 of the Minister of the Economy, Enterprise Lithuania is responsible for evaluating whether the lawful activities that the TCN intends to engage in are related to the introduction of new technologies or other innovations that are significant to the economic and social development of the Republic of Lithuania, whether the TCN has the necessary qualifications, financing and business plan to carry out these activities, and whether the presence in the Republic of Lithuania of this TCN, who will be a participant in the company to be established, is necessary for the activities of this company.

Enterprise Lithuania's Start-up Lithuania division is directly responsible for receiving start-up applications and organising the evaluation procedure.

Initial evaluation of the application is carried out by Start-up Lithuania employees. First a check is done to make sure that all of the documents have been submitted. Then an interview is conducted with the applicant. Next, Start-up Lithuania forwards all of the information to the Evaluation Commission, which provides Start-up Lithuania with a conclusion of a recommendatory nature regarding the conformity of the TCN and the activities thereof with the definition of a start-up. The commission is made up of representatives of the following institutions and bodies:

- Enterprise Lithuania (two members, of whom one is appointed as the chairperson of the commission, and the other as the deputy chairperson);
- the Agency for Science, Innovation and Technology (one member);
- venture capital funds and business accelerators (four members).

The personnel and rules of procedure of the commission are approved by the head of Enterprise Lithuania. People with experience working with innovations, high technology, businesses that create high added value, and investment attraction are appointed as commission members.

Q11b. What **documents** have to be submitted for the assessment? Please explain and indicate in case it differs for TCNs that have already founded a start-up abroad and those who are yet to set up a business.

According to the Description of the Evaluation Procedure, the third-country national has to complete the application on the platform (www.startupvisalithuania.com).

Business plan

A third-country national who intends to set up a company (start-up) must complete the application on the platform (www.startupvisalithuania.com). The application must contain the following information:

- Information about the third-country national who intends to set up the company:
 - general information (name, surname, citizenship, social media, etc.);
 - education (institution and education acquired);
 - language skills (foreign languages and level of proficiency);
 - work experience (employers; description of the field of activity; description of position and responsibilities; description of work experience directly related to the activities planned to be carried out in the Republic of Lithuania; total number of companies established and a brief description of their activities; other additional information).
- Description of the functions of the third-country nationals who intend to establish the company:
 - list of the founders of the company;
 - description of the activities (functions) of each founder;
 - brief description of how the team of founders was formed.
- Presentation of the activities intended to be pursued in Lithuania:
 - company presentation (brief description of activities; period of activity; description of the product/service; product development stage; financing stage; turnover for the last 12 months; whether the company owns industrial property protected in Lithuania; if not, whether the company has applied for the protection of industrial property rights, which would apply in Lithuania as well);
 - market description (description of customers and main competitors; potential market size);
 - description of the business idea;
 - justification of the business idea's innovativeness and significance to the economic and social development of Lithuania;
 - relations with the Lithuanian ecosystem.
- Operational strategy:
 - the company's first-year operational plan and forecasted performance indicators;
 - the company's two-year strategic plan;
 - the funding required to meet first-year business objectives;
 - brief justification for why Lithuania was selected.

Means of financing (e.g. bank statements)

This information must be indicated when completing the application. The application asks to indicate the funding needed to meet first-year business objectives. There is no indication of the specific amount a TCN must have – it depends on the business plan and objectives set for the first year.

 Patents, trademarks, intellectual property

This information is indicated when completing the application. The application asks whether the applicant has industrial property protected in Lithuania, and if not, whether the applicant has applied for the protection of industrial property rights, which would apply in Lithuania as well.

 Qualifications and diplomas of the start-up founder

This information must be indicated when completing the application. The application asks to specify the founder's education (institution and education acquired), language skills (foreign languages and level of proficiency) and work experience. According to Start-up Lithuania, both education and experience are taken into account in the assessment of applications – for example, if the applicant does not have an adequate level of education but there is a clear individual experience – then the application can be further examined; or if one of the founders does not have adequate education but the other founders have adequate education/experience and the business plan is well designed, then the assessment of the application can be continued.

 Evidence of registration in a national commerce register

No. When a decision is taken that the application complies with the definition of a start-up, the foreigner has 90 calendar days to submit documents on the issue of a temporary residence permit to the Migration Department or the Lithuanian Embassy abroad. Once a temporary residence permit has been issued, the foreign national must notify Start-up Lithuania in writing of the establishment of the company and the commencement of its activity no later than 30 days after the issue of the temporary residence permit.

 Others

Not applicable.

Q11c. On average, **how long** does it take to make a decision on whether the start-up qualifies for the scheme? Please explain distinguishing between (i) maximum processing time set in legislation and (ii) average processing time in practice.

If the TCN completes the application properly, the application evaluation process should not

take more than 15 working days.⁷¹ If the application is submitted by a TCN who has received an invitation from a venture or private equity fund, the decision-making period is shortened – in this case, the application evaluation process for a TCN who has completed the application properly should not take more than five working days.

Start-up Lithuania has the right, at any stage of the application evaluation, to ask the applicant to rectify shortcomings in the application within the time limit set thereby and/or to provide missing documents and/or other additional information in Lithuanian or English. The term for eliminating shortcomings is not included in the time frame specified above.

If the commission is unable to evaluate the activities due to the specifics of the activities and/or the technology used therein, Start-up Lithuania has the right to call upon experts in the relevant field. After conducting an evaluation of the technology that will be used in the activities and/or the potential of the idea, these experts submit a conclusion to Start-up Lithuania. Having regard to the expert opinion, the commission then repeats evaluation of the activities that the TCN intends to pursue. The period during which the expert evaluation of the activities is carried out is not included in the time frame specified above.

Q11d. How long after the decision has been communicated to the applicant, s/he can register their company/apply for the residence permit?

The decision is valid for three months from its signing. The expiration date is specified in the decision. During this period, the founder must submit documents to the embassy or Migration Department regarding the issue of the temporary residence permit. After receiving a temporary residence permit, the foreigner must notify Start-up Lithuania in writing within 30 days of the temporary residence permit being issued of the establishment of the company and the commencement of its activities. Otherwise, the temporary residence permit is cancelled.

Q11e. How is the application process managed? Please explain:

Online

The third-country national completes the application through the online platform www.start-upvisalithuania.com. The interview and other communication with the applicant are also carried out online.

In person

Other

⁷¹ The duration of the evaluation procedure was up to 30 calendar days until July 2019. The deadline was reduced to 15 working days from July 2019 and the accelerated procedure for foreigners who received an invitation from venture and private equity funds entered into force.

3.2. ADMISSION CONDITIONS FROM THE PERSON PERSPECTIVE (START-UP FOUNDERS AND EMPLOYEES)

Q12a. What are the **requirements** for applying for a **start-up visa** – if applicable (e.g. sufficient means, prior approval of start-up by the responsible authority, insurance, etc.)? Please differentiate in case it applies to:

Start-up founders

Not applicable. In Lithuania, start-up founders are granted temporary residence permits.

Start-up employees

Not applicable. Legislation does not establish a separate basis for the admission of start-up employees.

Q12b. What are the **requirements** for applying for a start-up **residence permit** – if applicable (e.g. sufficient means, prior approval of start-up by the responsible authority, insurance)? Please differentiate in case it applies:

Start-up founders

A third-country national must submit the following documents when applying for a temporary residence permit⁷²:

1. application;
2. a copy of the Enterprise Lithuania decision that the lawful activities that the TCN intends to engage in are related to the introduction of new technologies or other innovations that are significant to the economic and social development of the Republic of Lithuania, that the TCN has the necessary qualifications, financing and business plan to carry out these activities, and that the presence in the Republic of Lithuania of this TCN, who will be a participant in the company to be established, is necessary for the activities of this company;
3. a valid travel document;
4. the temporary residence permit (if being renewed);
5. one photograph;

72 A state fee is charged for examination of the application

6. a document confirming sufficient means of subsistence⁷³;
7. a document about the place of residence⁷⁴;
8. a certificate of non-conviction⁷⁵;
9. a health insurance document⁷⁶ ;
10. a list of trips and residence in foreign countries;
11. a document certifying legal presence if the application is being filed in Lithuania.

Start-up employees

Not applicable. Legislation does not establish a separate basis for the admission of start-up employees – they can come according to the general provisions for foreign employees. However, if employees are coming to a start-up, their applications are processed as a matter of priority (see Q13b).

Q12c. Are there different requirements for TCNs **applying from abroad and those looking to change their status** (e.g. from a student to a start-up visa)? Please differentiate in case it applies:

Start-up founders

TCNs looking to change their status are subject to the same requirements, but they do not have to submit a certificate of non-conviction again if they have a valid temporary residence permit and have declared a place of residence in the Republic of Lithuania. The general rule is that applications for a temporary residence permit may be submitted in the territory of Lithuania not only by TCNs who are changing their status, but by any TCN who is in Lithuania legally.

Start-up employees

Not applicable.

73 Sufficient means of subsistence are one minimum monthly wage per month. As of 1 January 2019, the minimum monthly wage is EUR 555.

74 The document must confirm that the TCN has (owns or uses on the basis of lease or loan for use) residential premises which he or she intends to declare as his or her place of residence, and which has an area of at least seven square metres for each adult who has declared residence therein.

75 Only required when applying for the first residence permit. These are certificates issued by competent authorities in the foreign countries where the TCN resided for the past two years prior to coming to Lithuania (except when the period spent in the foreign country was less than six months over a 12-month period) confirming that the TCN was not convicted in said countries.

76 The TCN's health insurance must cover the cost of emergency medical assistance, as it is defined in the Republic of Lithuania Law on the Healthcare System, as well as the costs that may be incurred due to the TCN being returned to the foreign state for health reasons (transportation, including medical escort), and must be valid for the entire period of the TCN's stay or residence in the Republic of Lithuania.

Q12d. Are different **statuses** compatible and/or possible **at the same time?** (e.g. a TCN that is in Lithuania as a highly skilled employee (or under other migratory category), and at the same time is setting up a start-up, or even running it)

Yes

If a TCN has a temporary residence permit and the circumstances on the basis of which it was issued change, the TCN must obtain a new temporary residence permit; however, in certain cases, if the TCN continues to qualify for the temporary residence permit – for example, holds a temporary residence permit as a highly skilled employee and continues to work as such – they may set up a business or run it as well.

No

Q13. How is the application processed?

Applications for temporary residence permits for start-ups are examined and decided on by the Migration Department. In order to assess whether a third-country national meets the conditions for granting or renewing a temporary residence permit which are established for obtaining a temporary residence permit on a particular basis established in the Law on the Legal Status of Aliens, and whether any of the grounds established in this law for refusing to issue or renew a temporary residence permit are present, the Migration Department checks data in registers and information systems and sends requests for public authorities of the Republic of Lithuania to submit data that is necessary for the performance of functions related to the issue or renewal of a temporary residence permit (e.g. whether the TCN's presence in Lithuania could pose a threat to public security, public order or human health).

Q13a. To which **authorities** is the application submitted?

From September 2019, foreigners may apply for a temporary residence permit only after they have entered the Republic of Lithuania, with the exception of foreigners who are of Lithuanian origin or who have the right to restore the citizenship of the Republic of Lithuania in accordance with the procedure laid down in the Law on citizenship of the Republic of Lithuania, or foreigners who are intra-corporate transferees. The latter may also submit an application for a temporary residence permit to the diplomatic mission or consular post of the Republic of Lithuania.

Q13b. Where can the application for the start-up visa/residence be submitted?

- Online
- In person
- Other

The application to issue or renew a temporary residence permit can be submitted in person by the TCN, or the TCN's lawyer can complete and submit the application, in which case the lawyer must present documents confirming his or her identity, right to work as a lawyer, and representation.⁷⁷

Q13c. Could the start-up founder **employ third-country nationals**? Under which scheme? What are the conditions that they have to fulfil?

There are no special visas/temporary residence permits for start-up employees, so they can come according to the standard procedure for employees from third countries. In 2019, the Ministry of Economy and Innovation, the Ministry of the Interior, and the Migration Department signed a memorandum on the basis of which the Start-up Employee Visa procedure was launched. With this memorandum, a pledge was made to implement the one-stop-shop principle for all services related to the issue of temporary Lithuanian residence permits to start-up employees, to process start-up employee applications as a matter of priority and within the shortest possible time.

Q13d. What is the **processing time** for application of start-up visa/ start-up residence permit? Please explain distinguishing between (i) maximum processing time set in legislation and (ii) average processing time in practice.

Decisions to issue/renew a temporary residence permit according to the standard procedure must be taken within two months of receipt of the application for a temporary residence permit, and within one month under accelerated procedure; in practice, however, the average processing time for the standard procedure is one month, and three weeks under accelerated procedure.

⁷⁷ This exception shall not apply from 1 July 2019 until the introduction of the functional capabilities of the Lithuanian Migration Information System (MIGRIS) in Q3 2019, since as of 1 July 2019, the application to receive a temporary residence permit is accompanied by a request to register a temporary residence permit, so the application can only be submitted in person because biometric data is taken at the time of application. When the functional capabilities of MIGRIS are introduced in Q3 2019, TCNs or their lawyers will be able to complete the application to issue or renew a temporary residence permit through MIGRIS. Within four months of completing the application through MIGRIS, the TCN will have to go to the Migration Department and submit biometric data as well as the originals of the documents that were attached as electronic copies when completing the application through MIGRIS, or certified copies thereof.

Q13e. What is the **duration** of the visa/residence permit granted?

A start-up is issued a temporary residence permit for one year. If Enterprise Lithuania confirms in writing that the lawful activities that the TCN intends to engage in are related to the introduction of new technologies or other innovations that are significant to the economic and social development of the Republic of Lithuania, that the TCN has the necessary qualifications, financing and business plan to carry out these activities, and that the presence in the Republic of Lithuania of this TCN, who will be a participant in the company to be established, is necessary for the activities of this company, this permit may be renewed twice for one year.⁷⁸

Q13f. What are the **challenges** regarding admission of start-ups and innovative entrepreneurs from the national stakeholders' perspective as well as if possible, from the TCNs perspective?

In Q1 2019, the Start-up Visa programme received 62 applications from foreign companies looking to move their businesses to Lithuania. Compared to the same period in the previous year – this number was twice as high in 2019 as it was in 2018, when 28 applications were submitted. The Migration Department is also observing an increase in the number of applications for temporary residence permits issued on the basis of a start-up.

According to the Minister of Economy and Innovation, the growing number of Start-up Visa applications is a good sign, but Lithuania still has to compete with Poland, Slovakia, the Czech Republic and many other countries around the world, even for the companies that have already applied. The Ministry therefore expects that the proposals for how to improve conditions for both foreign and local start-ups should encourage companies that have received a Start-up Visa to come and work in Lithuania.⁷⁹ According to Vilnius Tech Park, the actual Start-up Visa initiative is good, but the question is whether it is enough for the competitive battle that is currently taking place.⁸⁰ According to Start-up Lithuania, other foreign countries have specific 'soft-landing' programmes and reimburse part of the costs incurred by start-ups for business transfers (e.g. Poland, France), while Lithuania has not yet foreseen funds to do so, raising doubts as to whether Lithuania has sufficient attractive means to attract potential start-ups.

Young businesses (and others as well) are still struggling to attract the specialists they need for growth. It is not unusual for these start-ups to be born outside of the EU and then move to Lithuania because of the more developed ecosystem (financing, mentor and accelerator network, business and science institutions, events, programming marathons, etc.) and the quieter geopolitical environment. The problem is that it is hard for start-ups that move to

78 Until 26 July 2019 a temporary residence permit could be renewed once for one year period.

79 <https://www.versli Lietuva.lt/naujienos/vis-daugiau-uzsienio-startuoliu-renkasi-kurti-versla-lietuvoje/>

80 <https://madeinvilnius.lt/verslas/startuoliai/startuoliu-vizos-iniciatyvai-pagyrimai-ir-raginimai/>

bring the employees that they had hired in their own country with them.⁸¹ Start-up Employee Visa is expected to help improve the situation.

Q13g. What are the **good practices** identified in Lithuania?

According to Start-up Lithuania, the developed start-up ecosystem is one of the main reasons why non-EU start-ups choose Lithuania for their business development.⁸²

Representatives of Ellex Valiunas Law Firm also note that a favourable legal and tax environment is currently being created in Lithuania for start-ups, with a focus on both local and foreign young businesses: it is important to mention the start-up visas, which provide more flexible migration rules for third-country nationals who create high added value and would like to get a permit to reside in Lithuania. Another example is tax legislation – venture capital funds were included in the Law on Corporate Income Tax in 2018, with a tax exemption for dividends and profits on sale of shares. This encourages investment in start-ups.⁸³

One start-up founder said that he chose Lithuania as an accessible and inexpensive path to further development of the project across Europe. According to the start-up founder, Lithuania has successfully started its journey towards the goal of becoming a Baltic region technology centre, and attracting foreign start-ups is one of the most important steps in this direction.⁸⁴

81 <https://www.vz.lt/paslaugos/2019/04/13/startup-visa-rezultatai-gereja-panasi-programa-ruosiamai-ir-darbuotojams>

82 <https://sc.bns.lt/view/item/263159?q=startuoli%C5%B3>

83 <https://www.vz.lt/lietuvos-verslui-25/2018/02/06/6701/nauja-verslo-pavara--startuoliai-ar-teisinga-kryptimi-juda-lietuva#ixzz5kggjonkn>

84 <https://sc.bns.lt/view/item/263159?q=startuoli%C5%B3>

3.3. CASE STUDY SCENARIOS

Q15. Please consider the following fictional scenarios (case studies) and for each scenario, please answer the following questions:

1. What are the migratory pathways (visas/residence permits) available?
2. Would the person qualify for the permit and if yes, under what specific conditions?
3. Which authority would assess the eligibility of the applicants?
4. What is the application process?
5. How long would it take for the person to obtain the permit?

1. TCN outside of the EU, has not set up business yet: start-up at business plan stage, has not registered the company in Lithuania, wants to apply from outside the EU

Vihaan is a highly skilled professional from India with a Master's degree from University of Delhi, currently living in Delhi. For the past few months he has been working in an IT company there, but he plans to start his own business in the near future. He already has a business plan for a service-based app that he thinks could do well in Lithuania. His goal is to come to Lithuania and start his company here. What is the process that Vihaan would have to go through to build his start-up?

Answer: The first thing Vihaan should do is fill out an application on the online platform www.start-upvisalithuania.com. Then Start-up Lithuania will carry out an evaluation of the application, as described in Q11 of this study. If Start-up Lithuania approves the application, then Vihaan can apply for a temporary residence permit according to the procedure described in Q12–13 of this study.

Another option would be to set up a business in the usual way: establish a company in Lithuania and apply to a Lithuanian consular office (or, if in Lithuania legally – to the Migration Department) for a national visa on the basis of coming to Lithuania to engage in lawful activities as a participant, as defined in the Civil Code of the Republic of Lithuania, of a private legal entity registered with the Register of Legal Entities (hereinafter – company) and established no more than one year before the date the TCN's application for a national visa was submitted (hereinafter – participant), and where the value of the company's equity capital (or in cases other than a joint stock company or private limited liability company – assets) is at least EUR 28,000, of which at least EUR 14,000 are funds or other assets invested by the TCN, or as the manager of a company established no more than one year before the date the TCN's application for a national visa was submitted and with an equity value (or in cases other than a joint stock company or private limited liability company – assets) of at least EUR 28,000, and where the purpose of coming to Lithuania is to work at said company. National visas are issued for a maximum of one year.

Once the TCN and the company established are in compliance with the requirements of Article 45(1)(1) of the Law on the Legal Status of Aliens⁸⁵, the TCN can apply for a temporary residence permit on the basis of engagement in lawful activities. The application for a temporary residence permit can be submitted to a consular office or the Migration Department; the application is examined and decided on by the Migration Department within four months of receipt of the application (standard procedure) or half that time (expedited service); in examining the application, the Migration Department verifies, among other things, that the TCN and the company are in compliance with the requirements of Article 45(1)(1) of the Law on the Legal Status of Aliens.

2. TCN already in the EU, working as a highly skilled employee: highly skilled third-country national who came on an EU Blue Card or an alternative national permit for highly skilled workers working for a company in a certain industry; after 2 years of working for the company wants to start his/her own business

Amel is a Tunisian citizen working for “B Solutions”, a biotech company in Lithuania on an EU Blue Card permit or an alternative national permit for highly skilled workers arranged through her employer. After having worked for the company for two years, she feels that she is ready to take on a new challenge. She would like to start her own business in the same sector and set up a company that offers high-tech solutions to recycle waste in new, innovative ways, remaining in Lithuania. What are her possibilities?

Answer: The first thing Amel should do is fill out an application on the online platform www.start-upvisalithuania.com. Then Start-up Lithuania will carry out an evaluation of the application, as described in Q11 of this study. If Start-up Lithuania approves the application, then Amel can apply for a new temporary residence permit to be issued on the basis of a start-up. Amel should submit all of the documents described in Q12b, except for the certificate of non-conviction. When a new temporary residence permit is issued, she will have to set up the company within 30 days and inform Start-up Lithuania thereof.

If Amel was able to combine the two activities – working at the biotech company (thus continuing to comply with the circumstances under which the temporary residence permit was obtained) and setting up a company – then she would not have to apply for a new temporary residence permit.

⁸⁵ A temporary residence permit can be issued to a TCN who is engaging in, and intends to continue to engage in, lawful activities in the Republic of Lithuania if he or she is a participant of a company which has been carrying out, according to the business plan, the activities specified in the founding documents in the Republic of Lithuania for at least six months prior to the TCN's application for a temporary residence permit, and where citizens of the Republic of Lithuania, citizens of another European Union Member State, citizens of a European Free Trade Association Member State, or aliens permanently residing in the Republic of Lithuania are employed full-time and whose monthly salary comes to a total of at least two average gross monthly earnings for the last quarter published by Statistics Lithuania, and whose equity value (or in cases other than a joint stock company or private limited liability company – assets) is at least EUR 28,000, of which at least EUR 14,000 are funds or other assets invested by the TCN, and the TCN is the manager of this company, or is the shareholder of a joint stock company or private limited liability company and the nominal value of the shares that he or she owns in the company is at least one-third of the company's authorised capital.

Even if Start-up Lithuania does not approve her application, Amel could set up a company in accordance with the laws in force in Lithuania (see Q3a–d). If Amel was to set up her own company and stop working at the biotech company, she could stay in Lithuania as described in the first scenario (provided, of course, that she and the company established comply with the grounds for issuing a national visa or temporary residence permit).

3. TCN outside of EU, registered company: start-up just started, registered company outside the EU would like to set up in Lithuania

Sergey from Minsk, Belarus owns a company “Icomp Technologies”, a manufacturing company which has just launched the production of electronic components in IoT (Internet of Things) technology sector. The company has already shipped some experimental production to third country markets, such as Japan and Malaysia, and based on the initial success it was decided to reallocate company’s headquarters to Lithuania for further business development. What is the process that Sergey would have to go through to move the headquarters? Are there any additional provisions for other staff members aiming to reallocate to Lithuania?

There are no provisions in the Law on the Legal Status of Aliens regarding the relocation of company headquarters. However, if the company established in Lithuania was a representative office or branch of a company established in a foreign country that is not a European Union Member State, or a company belonging to the same group of companies, then the third-country nationals being transferred could receive temporary residence permits as intra-corporate transferees:

A temporary residence permit can be issued to a TCN who is transferred within a company as:

1. the manager, provided that documents are provided that said TCN:
 - a. will manage the company established in the Republic of Lithuania or structural division thereof, and will have a subordinate staff and authority to control the work of the staff and perform actions related to the management thereof;
 - b. has the qualifications and professional experience required by the host company established in the Republic of Lithuania;
 - c. worked at the company established in a non-EU country that the host company is a representative office or branch of, or belongs to the same group of companies as, for at least six months prior to coming to the host company established in the Republic of Lithuania;
2. a specialist, provided that documents are provided that said TCN:
 - a. has special knowledge of the field of activity, methods or management that the host company established in the Republic of Lithuania requires and which are assessed taking into account knowledge, professional qualifications and professional experience related to a type of work or activity requiring specific technical knowledge associated with this particular company;

- b. worked at the company established in a non-EU country that the host company is a representative office or branch of, or belongs to the same group of companies as, for at least six months prior to coming to the host company established in the Republic of Lithuania;
3. a trainee, provided that documents are provided that said TCN:
 - a. has an internship agreement confirming that the TCN is being transferred within the company for career development purposes or to gain knowledge of business methods or techniques, and covering the internship programme, its duration, and the conditions for supervising the trainee's activities;
 - b. has a university degree;
 - c. will receive a salary after being transferred within the company;
 - d. worked at the company established in a non-EU country that the host company is a representative office or branch of, or belongs to the same group of companies as, for at least three months prior to coming to the host company established in the Republic of Lithuania.

Another option would be to establish a new company in Lithuania and complete the entire process as described in the first situation. In this case, the employees could be brought in according to the normal procedure provided by Lithuanian law.

4. TCN already in the EU, PhD or master student

Auri is a Dominican PhD student at a university in Lithuania in the field of biotechnology studies. In parallel to her studies (outside her PhD contract), Auri researched fermentation and revealed yet unknown characteristics of the investigated ferment. Auri discovered that the reaction between the researched ferment and a specific enzyme could have a particular effect on human's skin regeneration. She was approached by a potential investor who saw the potential of the discovery in the medical cosmetology sector. Auri would like to register a company in Lithuania and undertake further necessary research to receive patents and start the production of agents as a next stage. What are her possibilities?

Answer: The first thing Auri should do is fill out an application on the online platform www.start-upvisalithuania.com. Then Start-up Lithuania will carry out an evaluation of the application, as described in Q11 of this study. If Start-up Lithuania approves the application, then Auri can apply for a new temporary residence permit to be issued on the basis of a start-up. Auri should submit all of the documents described in Q12b, except for the certificate of non-conviction. When a new temporary residence permit is issued, she will have to set up the company within 30 days and inform Start-up Lithuania thereof.

If Auri was able to combine the two activities – studying for her PhD, i.e. thus continuing to comply with the circumstances under which the temporary residence permit was obtained)

and setting up a company – then she would not have to apply for a new temporary residence permit.

Even if Start-up Lithuania does not approve her application, Auri could set up a company in accordance with the laws in force in Lithuania (see Q3a–d). If Auri was to set up her own company and quit her studies, she could stay in Lithuania as described in the first scenario (provided, of course, that she and the company established comply with the grounds for issuing a national visa or temporary residence permit).

4.

Attracting start-ups
and innovative
entrepreneurs from
third countries

Q16. Does Lithuania have specific **measures** in place to **attract** start-up founders and innovative entrepreneurs from third countries?

Yes. Please explain briefly here the main measures and complete table in Q18 below

The Ministry of Economy and Innovation provides the Embassies of the Republic of Lithuania with information about the Start-up Visa programme and its advantages. In terms of geographical priorities, Belarus, Ukraine, Turkey, Russia also Georgia, Armenia, Kazakhstan, Azerbaijan etc., could be named. The main role in publicising the Start-up Visa programme is played by Start-up Lithuania, which works consistently and systematically with potential foreign start-ups, organising – together with partners – meetings and information events about the Lithuanian start-up ecosystem. The growing number of foreigners interested in Lithuania and applications received makes it possible to conclude that the tools being used to attract start-ups are effective.⁸⁶ In 2018, Start-up Lithuania organised eight presentations about the Republic of Lithuania start-up ecosystem and the Start-up Visa programme (once in Belarus and Georgia, and twice in Turkey, Ukraine and Russia).

As already mentioned, the Ministry of Economy and Innovation, the Ministry of the Interior, and the Migration Department signed a memorandum in 2019 on the Start-up Employee Visa procedure for attracting, retaining and integrating foreign talents in Lithuania, and the Start-up Visa procedure for simplifying the admission of foreign start-ups into the country. It is also planned to increase support for start-up founders and foreign start-ups moving to Lithuania.⁸⁷

There are also two Accelerator Funds operating in Lithuania which are being implemented by two fund managers: UAB 70 Ventures and Start-up Wise Guys, an Estonian accelerator for young entrepreneurs. As stated by the start-ups spoken to, one of the main reasons for choosing Lithuania was the Accelerator Funds and their acceleration programmes. In this way, start-ups learned about Lithuania and its start-up ecosystem.

The start-ups interviewed rated the work of Start-up Lithuania very highly and claimed that it was their positive attitude, quick response, and help in answering the questions that came up that contributed to the decision to move to Lithuania.

No

Q17a. Are the following **actors** involved in attracting and encouraging the start-ups and innovative entrepreneurs from third countries?

Private sector

In administering risk capital measures, INVEGA⁸⁸ selected two managers for the Accelerator

86 <https://www.verslilietuva.lt/naujienos/uzsienio-startuoliai-vis-dazniau-renkasi-lietuva/>

87 <https://www.verslilietuva.lt/naujienos/ekonomikos-ir-inovaciju-ministerija-startuolio-savoka-apibreze-istatymu/>

88 INVEGA is a state-controlled financial institution whose main operational objectives are to provide financial services and implement and administer financial and other business financing instruments.

Funds: UAB 70 Ventures and Start-up Wise Guys, an Estonian accelerator for young entrepreneurs. The total value of these funds is over EUR 15 million, of which EUR 13.47 million comes from the European Regional Development Fund. The fund managers will not only invest in start-up companies – they will also implement rapid development or acceleration programmes for the companies. In looking for potential start-ups, the fund managers are not limiting themselves to Lithuania or EU countries, but are looking for and attracting start-ups from third countries as well.

Universities and Higher Education Institutions (i.e. encouraging international students to stay as start-up entrepreneurs)

Kaunas has the Kaunas University of Technology Start-up Space community. This is an open community for Kaunas start-ups that unites creative teams from the earliest (idea) stage and provides start-ups with team coordination, counselling, mentoring, expert support, training, events, and help looking for partners. It should be mentioned that the activities are targeted to all start-ups.

Local and regional authorities (e.g. cities and regions)

Vilnius is actively promoting itself as an open and friendly city for foreigners. Go Vilnius – the official development agency of the city of Vilnius – helps foreign talents (including start-ups) get settled in Vilnius, organising meetings with other state institutions as needed.

Other actors

Q17b. Do government authorities cooperate with the **private sector** in attracting start-ups and innovative entrepreneurs from third countries? Please specify which government institutions and private-sector actors (e.g. companies, employer associations etc.) are involved.

Yes

In implementing and administrating risk capital measures such as the Accelerator Funds, the Early-Stage and Development Funds, and the Co-Investment Fund, INVEGA publishes tenders and selects fund managers by tender. Two fund managers were selected in 2018 to manage the Accelerator Funds: 70 Ventures and Start-up Wise Guys. According to INVEGA, the key criteria for candidates in selecting a fund manager were experience in rapid business development, financial reliability, impeccable reputation, team member competence, and attention to start-up companies.⁸⁹

Invest Lithuania, a non-profit foreign direct investment development agency under the Ministry of Economy and Innovation of the Republic of Lithuania, which aims to increase the competitiveness of the Lithuanian economy, its investment attractiveness and the attractiveness

⁸⁹ <https://www.vz.lt/rinkos/fondai/2018/09/12/invega-atrinko-akceleravimo-fondu-valdytojus--jiems-patikes-135-mln-eur>

of investment and the country's global profile, works closely with Startup Lithuania on start-up issues.

No

Q18. Please complete the table below with regard to the (applicable) **(I) Rights and (II) Incentive measures** in place to attract start-up founders (not employees) from third countries in Lithuania.

I. RIGHTS

Rights	Brief description of the rights granted
Facilitation to access permanent residence	No. The usual procedures apply.
Access to employment	There are no special visas/temporary residence permits for start-up employees, but in 2019, the Ministry of Economy and Innovation, the Ministry of the Interior, and the Migration Department signed a memorandum on the basis of which the Start-up Employee Visa procedure was launched. With this memorandum, a pledge was made to implement the one-stop-shop principle for all services related to the issue of temporary Lithuanian residence permits to start-up employees, to process start-up employee applications as a matter of priority and within the shortest possible time, and to apply higher service quality standards.
Possibility to be accompanied by family members	Yes. Family members can immediately accompany a third-country national who has been issued a temporary residence permit on the basis of a start-up. Normally, other third-country nationals are subject to the requirement that for family members to come for the purpose of family reunification, the TCN must have resided in the Republic of Lithuania for the past two years, hold a temporary residence permit valid for at least one year, and have reasonable prospects of obtaining the right to permanent residence in the Republic of Lithuania.
Family members allowed to access the labour market	In Lithuania, all TCNs who come on the basis of family reunification are granted the right to work, and are exempt from the obligation to obtain a work permit.
Other rights (please specify)	

II. INCENTIVE MEASURES (refers to governmental, private sector and structural incentives)

Measure	Brief description of the measure
Facilitations for admission; <i>If yes, please explain what they entail (shortened processing time, reduced documentary requirements etc.)</i>	<p>The processing time for temporary residence permits on the basis of a start-up is faster – the decision to issue a temporary residence permit according to the standard procedure is taken within two months, or within one month for expedited service.</p> <p>For other TCNs, the decision to issue a temporary residence permit is taken within four months, or within two months for expedited service.</p>
Access to special funding and investments (e.g. micro-loans)	<p>The investment and acceleration funds operating in Lithuania are an opportunity for both Lithuanian and foreign start-ups to get the necessary investments. The Acceleration Funds were launched in Lithuania in 2019. Since 2019, this instrument has been implemented by two managers: UAB 70 Ventures and Start-up Wise Guys, an Estonian accelerator for young entrepreneurs. The total value of these funds is over EUR 15 million, of which EUR 13.47 million comes from the European Regional Development Fund.</p>
Co-working and dedicated spaces (facilities for shared use of start-ups/businesses)	<p>Vilnius has Vilnius Tech Park, which is the largest IT start-up centre in the Baltic and Nordic countries and brings together international start-ups, technology companies, venture capital funds, accelerators, incubators and other ecosystem actors in order to influence the region's start-up ecosystem and grow on an international level.⁹⁰</p> <p>Vilnius is also home to Rockit. This space is not just a physical workplace – it is also a place for events and training.</p> <p>Professionals and newcomers in the Lithuanian start-up community are joined by the Start-ups for Start-ups platform, which allows them to share best practices and avoid repeating mistakes made by other start-ups. Once they log into their Start-ups for Start-ups accounts, all members will be able to see well thought-out topic categories where there will be interesting discussions and valuable links, and lessons will be shared.⁹¹</p>

90 <https://vilniustechpark.com/>

91 <https://sc.bns.lt/view/item/280079?q=startuoli%C5%B3>

Are the attraction measures campaign-like or permanent measures?	Who implements the measure? (state, private sector, in cooperation etc)	Applies to:	
		TCNs only	General
Permanent	Migration Department		
	The state, in cooperation with the private sector	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Permanent	Private sector	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Measure	Brief description of the measure
Access to incubation/accelerator support programmes	<p>The investment and acceleration funds operating in Lithuania are an opportunity for both Lithuanian and foreign start-ups to get the necessary investments. The Acceleration Funds were launched in Lithuania in 2019. In total, there are currently 2 accelerating funds and 2 early stage venture capital funds under the measure “Accelerating fund”, which has been implemented since 2019 by two managers, UAB “70 Ventures” and Estonian Young Business Accelerating Company “Start-up Wise Guys”. The total value of these funds is over EUR 15 million, of which EUR 13.47 million comes from the European Regional Development Fund.</p>
Tax incentives (benefits, reductions, exemptions, etc.)	<p>Up until 2018, start-ups in Lithuania did not have any preferential conditions, but could use all the business start-up incentives available in Lithuania. Start-ups operating in Lithuania have good prospects – proposals on tax and legal incentives for start-ups have been presented and are already being discussed.</p> <p>On 11 July 2019, the Parliament adopted amendments to the Law on Personal Income Tax prepared by the Ministry of Economy and Innovation which establish tax relief for employees who have retained company shares acquired through options for more than three years. This provides that the profit received by an employee from options after the acquisition of shares at least three years after the option right is granted is not subject to either personal income tax or social security tax. The adopted provisions of the law will apply to income from options concluded on or after 1 February 2020. Currently, employees who exercise their option rights and acquire shares have to immediately pay tax on the difference between the acquisition price of the shares and their fair market value, even before receiving any income. The unattractive tax treatment of options makes it difficult for start-ups to attract and retain employees, and forces companies to choose other foreign countries.</p> <p>In Lithuania, the regulation established by the Law on Corporate Income Tax is also favourable for the development of start-ups in Lithuania:</p> <p>1) starting in 2018, amendments to the Law on Corporate Income Tax came into force establishing a one-year tax holiday for new small businesses – these companies are exempt from corporate income tax during their first year of operation;⁹²</p>

⁹² It is important to note that a small number of start-up succeeds in benefiting from this advantage – in most cases in the first years, start-ups only bear the cost of creating and developing the product.

Are the attraction measures campaign-like or permanent measures?	Who implements the measure? <i>(state, private sector, in cooperation etc)</i>	Applies to:	
		TCNs only	General
	The state, in cooperation with the private sector	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Permanent	The state	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Measure	Brief description of the measure
Tax incentives (benefits, reductions, exemptions, etc.)	<p>2) the Law on Corporate Income Tax already provides for a preferential corporate income tax rate of 5 per cent for small enterprises (with an annual income of less than EUR 300,000, no more than 10 employees, and company participants who do not control any other companies); in addition, no advance income tax has to be paid. Small enterprises also can take advantage of other favourable conditions of taxation: more favourable treatment of fixed assets depreciation calculation, more favourable conditions for carrying forward losses, etc.;</p> <p>3) favourable conditions have been created for attracting investment in start-ups:</p> <ul style="list-style-type: none"> - the development of an alternative financing market is being encouraged by exempting all income received by collective investment undertakings and private equity and venture capital entities which are closely related to start-up funding from income tax; - proceeds from the disposal of unit shares held by other investors (holding more than 10 per cent of the total shares) are also exempt from income tax, and foreign investors' proceeds from the disposal of shares are not included in the foreign entity's income tax base in Lithuania.
Consultation services/facilitators help in networking/accessing networks	

Are the attraction measures campaign-like or permanent measures?	Who implements the measure? <i>(state, private sector, in cooperation etc)</i>	Applies to:	
		TCNs only	General
Permanent	The state	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>

Measure	Brief description of the measure
Training programmes for start-ups	<p>The Ministry of Economy and Innovation plans to allocate almost EUR 14 million in European Union (EU) investments which will give company employees the opportunity to receive top-level training in sectoral competencies. This will particularly affect the start-up ecosystem and industrial companies in the field of digitisation. Companies will compete for funding in several groups, which should provide more opportunities for employees from different sectors, including start-ups, to acquire the necessary competencies. The maximum amount of funding available for one project is up to EUR 360,000.⁹³</p> <p>The law firm TGS Baltic has established the TGS Baltic UP HUB platform, where users can find documents approved by investors, register for consultations with professionals, and get to know future investors.</p> <p>According to TGS Baltic representatives, Lithuania is already ready to meet a unicorn – all that is left is for start-ups to focus on managerial, financial and legal business preparation for attracting investment. To achieve this goal, TGS Baltic UP HUB, a free platform for start-ups, has been developed to help turn business ideas into businesses that are ready for financial success.⁹⁴ The platform contains the main legal documents related to the establishment and development of companies: standard templates for founding, intellectual property protection, data protection, and investment documents. Registered users can download the documents for free. They can also register for a free, two-hour legal consultation.</p>
Financial support to cover administrative and/or staff costs	
Other special incentives	
<i>Please add new rows as applicable</i>	

93 <https://sc.bns.lt/view/item/289013?q=startuoli%C5%B3>

94 <https://sc.bns.lt/view/item/299331?q=startuoli%C5%B3>

Are the attraction measures campaign-like or permanent measures?	Who implements the measure? <i>(state, private sector, in cooperation etc)</i>	Applies to:	
		TCNs only	General
Permanent	The state	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Private sector	<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>

Q19. Are there any measures to encourage and foster innovative entrepreneurship and start-ups for third-country nationals **already present** in the Lithuania?

There are no specific measures, but this is encouraged by organising events for start-ups, such as the Start-up Fair, conferences and meetings.

Q20a. Does Lithuania carry out **promotional activities and dissemination of information** targeted to start-up founders and innovative entrepreneurs?

Yes

Start-up Lithuania is responsible for attracting foreign start-ups and disseminating information both in Lithuania and abroad. Start-up Lithuania regularly participates in various events abroad, with the goal of presenting Lithuania and its favourable conditions for setting up start-ups.

No

Q20b. Does Lithuania aim to create a national / regional **,brand'** (e.g. visual image, perception, etc.) of the start-up scheme?

Yes

Both the Ministry of Economy and Innovation and Start-up Lithuania strive to present Lithuania as a country that has created a favourable environment for start-ups to come and work.

Lithuania also offers very favourable conditions for fintech start-ups, with strong support from the Bank of Lithuania, the Ministry of Finance, and Invest Lithuania, which proactively provide professional assistance to start-ups coming to Lithuania. Systematic and targeted work is being done for Lithuania to be known as a country for fintech start-ups.

No

Q20c. Have there been any **evaluations of the effectiveness** of promotional activities in Q19a. carried out?

Yes

No

Q21. Based on existing national sources (evaluation reports, media reports, etc.), what are the **factors affecting the attraction of start-up founders/employees** in Lithuania?

Hubs and locations for start-ups (e.g. cities)

According to Start-up Lithuania, the developed start-up ecosystem in Lithuania is one of the main reasons why non-EU start-ups choose Lithuania for their business development.⁹⁵ There are the Accelerator Funds and other funds, the Lithuanian Business Angel Network, quite a few collaborative spaces, and events organised for start-ups.

As stated by the experts spoken to, starting a business in Lithuania is easy, and financial support is provided as well (e.g. through accelerator funds); Lithuania is also a good place to test a product/service.

Culture

A considerable number of start-ups come from Russia, Ukraine and Belarus. Residents of these countries can also speak Russian in Lithuania, and these countries are not far from Lithuania culturally.

Socio-economic factors (e.g. living costs)

According to Start-up Lithuania, even though Latvia and Estonia have similar Start-up Visa programmes in the Baltic States, the start-ups that have come to Lithuania praise Lithuania's connections with all of Europe, as well as its cost of living and university education.⁹⁶ Younger people speaks excellent English.

Other

Q22a. What are the main **challenges** in attracting start-ups and innovative entrepreneurs from third countries in Lithuania?

Start-up Lithuania is responsible for promoting the Start-up Visa programme abroad, but in order to attract more foreigners, more human and financial resources are needed. According to the start-ups spoken to, before coming to Lithuania, they had heard more about Estonia as a good country for start-ups than Lithuania, so one of the main challenges is competition with other countries that are better known in the world of start-ups, such as Estonia and the Netherlands.

As stated by the start-ups spoken to, one of the main difficulties they encountered is that there is no single set of clear and detailed instructions for what start-ups have to do if they

95 <https://sc.bns.lt/view/item/263159?q=startuoli%C5%B3>

96 <https://www.vz.lt/lietuvos-verslui-25/2018/02/06/6701/nauja-verslo-pavara--startuoliai-ar-teisinga-kryptimi-juda-lietuva>

want to set up a start-up in Lithuania and get a temporary residence permit on that basis. Each institution (e.g. Start-up Lithuania, the Migration Department, State Enterprise Centre of Registers) has its own rules, but it would be useful if the whole procedure was written down in one place.

Q22b. What are the **good practices** identified in attracting start-ups and innovative entrepreneurs from third countries in Lithuania?

According to fintech start-ups, Lithuania offers very favourable conditions, with strong support from the Bank of Lithuania, the Ministry of Finance, and Invest Lithuania, which proactively provide professional assistance to start-ups coming to Lithuania.⁹⁷

As stated by the start-ups spoken to, one of the main reasons for choosing Lithuania was the Accelerator Funds and their acceleration programmes. In this way, start-ups learned about Lithuania and its start-up ecosystem, and came to Lithuania to develop their business. Start-ups from third countries also praised Start-up Lithuania for its activities and its expeditious, professional and comprehensive assistance.

⁹⁷ <https://www.vz.lt/lietuvos-verslui-25/2018/02/06/6701/nauja-verslo-pavara--startuoliai-ar-teisinga-kryptimi-juda-lietuva>

5.

Renewal of residence permits/visas and retention measures for start-ups and innovative entrepreneurs

Q23a. Is it possible to **renew** the start-up visa/residence permit?

Yes

A start-up is issued a temporary residence permit for one year. If Enterprise Lithuania confirms in writing that the lawful activities that the TCN intends to engage in are related to the introduction of new technologies or other innovations that are significant to the economic and social development of the Republic of Lithuania, that the TCN has the necessary qualifications, financing and business plan to carry out these activities, and that the presence in the Republic of Lithuania of this TCN, who will be a participant in the company to be established, is necessary for the activities of this company, may be renewed for one year twice.⁹⁸

No

Q23b. If yes, what is the renewal period and are the following renewal options possible:

a time limited extension to a visa/residence permit

The temporary residence permit may be renewed for one year twice.

a permanent residence

Q23c. What are the **main requirements for renewal** of an initial start-up visa/residence permit?

Enterprise Lithuania has to confirm in writing that the lawful activities that the TCN is engaged in are related to the introduction of new technologies or other innovations that are significant to the economic and social development of the Republic of Lithuania, that the TCN has the necessary qualifications, financing and business plan to carry out these activities, and that the presence of this TCN in the Republic of Lithuania is necessary for the activities of this company.

If a third-country national wants to have his or her temporary residence permit renewed, he or she has to submit an updated application as well as the company's performance report and plans for the coming year through the www.start-upvisalithuania.com online platform at least three months (but no more than four months) before the temporary residence permit expires. Evaluation of the application is carried out as detailed in Q11, just without the interview.

Upon receipt of a positive decision from Start-up Lithuania, the TCN must apply to the Migration Department for extension of the temporary residence permit. A third-country national

98 The temporary residence permit could only be renewed for one year once until 26 July 2019.

must submit the following documents when applying for a temporary residence permit to be renewed:

1. application⁹⁹;
2. a copy of the Enterprise Lithuania decision that the lawful activities that the TCN intends to engage in are related to the introduction of new technologies or other innovations that are significant to the economic and social development of the Republic of Lithuania, that the TCN has the necessary qualifications, financing and business plan to carry out these activities, and that the presence in the Republic of Lithuania of this TCN, who will be a participant in the company to be established, is necessary for the activities of this company;
3. a valid travel document;
4. the temporary residence permit;
5. one photograph;
6. a document confirming sufficient means of subsistence¹⁰⁰;
7. a document about the place of residence¹⁰¹;
8. a health insurance document¹⁰²;
9. a list of trips and residence in foreign countries.

An application to renew a temporary residence permit according to the standard procedure and the accompanying documents must be submitted at least two months before the temporary residence permit expires, while an application to renew a temporary residence permit under the accelerated procedure and the accompanying documents must be submitted at least one month before the temporary residence permit expires, but no more than four months in advance.

Q23d. Is the actual establishment of the business checked by the responsible authorities when deciding on the extension of the residence permit?

In making the decision on the temporary residence permit, the Migration Department does not check the actual establishment of the business, since in order to renew a temporary res-

⁹⁹ A state fee is charged for examination of the application.

¹⁰⁰ Sufficient means of subsistence are one minimum monthly wage per month. As of 1 January 2019, the minimum monthly wage is EUR 555.

¹⁰¹ The document must confirm that the TCN has (owns or uses on the basis of lease or loan for use) residential premises which he or she intends to declare as his or her place of residence, and which has an area of at least seven square metres for each adult who has declared residence therein.

¹⁰² The TCN's health insurance must cover the cost of emergency medical assistance, as it is defined in the Republic of Lithuania Law on the Healthcare System, as well as the costs that may be incurred due to the TCN being returned to the foreign state for health reasons (transportation, including medical escort), and must be valid for the entire period of the TCN's stay or residence in the Republic of Lithuania.

idence permit, the TCN must submit a copy of the decision of the authority delegated by the Minister of Economy and Innovation – Enterprise Lithuania – that the lawful activities that the TCN intends to engage in are related to the introduction of new technologies or other innovations that are significant to the economic and social development of the Republic of Lithuania, that the TCN has the necessary qualifications, financing and business plan to carry out these activities, and that the presence in the Republic of Lithuania of this TCN, who will be a participant in the company to be established, is necessary for the activities of this company. However, it does check the registers to verify that the company is established and that the TCN is a company participant.

Q23e. What are the procedures foreseen for TCNs with start-up visas/residence permits if:

- Their business ceases being a ‘start-up’ (e.g. they manage to turn their company into a successful business). Please elaborate, explaining after what period and under what conditions the business is no longer considered as a ‘start-up’.

The LLSA does not specify the conditions under which a company ceases being a ‘start-up’.

If it were established that a TCN holding a temporary residence permit issued as a start-up failed to fulfil the obligation to notify the authority delegated by the Minister of Economy and Innovation in writing within 30 days of the temporary residence permit being issued of the establishment of the company and the commencement of the activities specified in the founding documents, and that this TCN did not establish a company or is not carrying out the activities specified in the founding documents, or if it were established that a TCN who has been issued a temporary residence permit as a start-up is no longer a participant in the company, or that this TCN’s presence in Lithuania is not necessary for the activities of this company, or that a fictitious company has been established, then the temporary residence permit would be cancelled.

However, if the TCN no longer meets the requirements for a TCN receiving a temporary residence permit as a start-up, but the TCN and the company are in compliance with the requirements of Article 45(1)(1) of the Law on the Legal Status of Aliens¹⁰³, the TCN can apply for a temporary residence permit on the basis of engagement in lawful activities. In this case, the

103 A temporary residence permit can be issued to a TCN who is engaging in, and intends to continue to engage in, lawful activities in the Republic of Lithuania if he or she is a participant of a company which has been carrying out, according to the business plan, the activities specified in the founding documents in the Republic of Lithuania for at least six months prior to the TCN’s application for a temporary residence permit, and where citizens of the Republic of Lithuania, citizens of another European Union Member State, citizens of a European Free Trade Association Member State, or aliens permanently residing in the Republic of Lithuania are employed full-time and whose monthly salary comes to a total of at least two average gross monthly earnings for the last quarter published by Statistics Lithuania, and whose equity value (or in cases other than a joint stock company or private limited liability company – assets) is at least EUR 28,000, of which at least EUR 14,000 are funds or other assets invested by the TCN, and the TCN is the manager of this company, or is the shareholder of a joint stock company or private limited liability company and the nominal value of the shares that he or she owns in the company is at least one-third of the company’s authorised capital.

decision to cancel the start-up's temporary residence permit would be taken at the same time as the decision to issue a temporary residence permit on the new basis.

- **Their start-up fails.** In this case, please clarify what would happen to the start-up founder and whether there are other visas/residence permits available for the TCNs to remain in Lithuania.

According to the LLSA, a third-country national who has ceased lawful activities related to the introduction of new technologies or other innovations that are significant to the economic and social development of the Republic of Lithuania must leave the Republic of Lithuania.

If it were established that a TCN holding a temporary residence permit issued as a start-up failed to fulfil the obligation to notify the authority delegated by the minister of economy and innovation in writing within 30 days of the temporary residence permit being issued of the establishment of the company and the commencement of the activities specified in the founding documents, and that this TCN did not establish a company or is not carrying out the activities specified in the founding documents, or if it were established that a TCN who has been issued a temporary residence permit as a start-up is no longer a participant in the company, or that this TCN's presence in Lithuania is not necessary for the activities of this company, or that a fictitious company has been established, then the temporary residence permit would be cancelled.

However, if the TCN no longer meets the requirements for a TCN receiving a temporary residence permit as a start-up, but the TCN and the company are in compliance with the requirements of Article 45(1)(1) of the Law on the Legal Status of Aliens,¹⁰⁴ the TCN can apply for a temporary residence permit on the basis of engagement in lawful activities. In this case, the decision to cancel the start-up's temporary residence permit would be taken at the same time as the decision to issue a temporary residence permit on the new basis.

- **Their business plan changes after approval.**

After one year, the TCN, before applying for an extension of the temporary residence permit, must submit the company's activity report and the company's two-year strategic plan, adjusted according to the operating results specified in the company's activity report, to Start-up Lithuania.

In the company's activity report, the TCN must indicate what changes have occurred, what the reasons were, and what consequences they had. Taking into account all of the information received, the Evaluation Commission assesses whether the start-up still meets the conditions required.

104 See footnote 82.

Q24a. Are the following **retention measures** in place for the start-up founders and innovative entrepreneurs?

- Simplified renewal process
- Tax relief schemes
- Others

No information.

Q24b. What are the main **challenges** regarding the retention of start-ups and innovative entrepreneurs in Lithuania?

One of the main challenges was the provision of the LLSA that a start-up temporary residence permit could only be issued for two years. According to both start-ups and Start-up Lithuania, this period was not enough for start-ups to establish themselves and develop their activities. The amendments adopted to the law as of 26 July 2019 provide that the residence permit will be issued for one year and may be renewed for one year twice. Still, it is important to mention, that main competitor, Estonia, issues a temporary residence permit for five years.

Q24c. What are the **good practices** identified with regard to retention of start-ups and innovative entrepreneurs in Lithuania?

No information.

Q25a. Has any **misuse of the migratory pathway** for start-ups and innovative entrepreneurs has been detected in Lithuania (for example, if someone applies for a start-up/entrepreneur visa to gain access to Lithuania's territory without the actual intention of founding a start-up/business)?

- Yes
- No

The Migration Department has not detected any misuse of the migratory pathway for start-ups (no temporary residence permits have been cancelled because a company was not established or activities were not carried out). It is important to note that Start-up Lithuania acts as the initial filter by reviewing applications and interviewing start-up founders.

However, it has been noted that some TCNs who have received temporary residence permits as start-ups previously had temporary residence permits on other grounds that were can-

celled, or have applied for temporary residence permits on the basis of business, but received negative decisions.

One application submitted in 2017 for a temporary residence permit was rejected because not all of the supporting documents were provided and the TCN did not submit them within the deadline. Two TCNs who received positive decisions on temporary residence permit applications submitted in 2018 never applied for the temporary residence permits to be issued.

Q25b. Do you have any information or statistics on the **misuse of migratory pathways**¹⁰⁵ for start-ups and innovative entrepreneurs in Lithuania?

The Migration Department has not detected any misuse of the migratory pathway for start-ups.

Q25c. What is the **survival rate** of start-ups launched by TCNs in Lithuania? *Survival rate refers to the number of start-ups that manage to become profitable businesses.*

In Lithuania, the start-up admission scheme has only been in place since 1 January 2017, so it is still too early to assess the chances of survival for start-ups. Also, a 2-3 year period for a start-up is too short to become a profitable business.

Q25d. Have there been **any evaluation or studies** of your national schemes on start-ups or other innovative entrepreneurs? Please summarise the main findings.

No.

¹⁰⁵ Misuse of migratory pathways refers solely to the cases in which someone has used the start-up visa/residence permit channel but does not intend to really set up a business and does not refer to potential illegal practices start-ups may be involved in as part of their business.

Conclusions

Q26. With regard to the aims of this study, what conclusions would you draw from your findings reached in elaborating your national contribution? In particular, what is the relevance of your findings to national and/or EU level policy-makers?

- In Lithuania, the start-up ecosystem is well-developed. Lithuania's main advantages include a favourable legal and tax environment for starting a business, the special Start-up Visa for third-country nationals, the accelerator funds that are in operation, and an accessible and inexpensive market for product testing and further development across Europe.
- According to the Ministry of Economy and Innovation, Lithuania's priority areas are fintech and life sciences, but according to the Start-up Lithuania database, the most start-ups are currently established in the field of IT (about 37 per cent), with fintech start-ups accounting for about five per cent. The Agency for Science, Innovation and Technology has begun developing initiatives such as FinTech LT and Promotion of Life Sciences Technologies. These initiatives are expected to contribute to accelerating the establishment of start-ups in these areas.
- Even though Lithuania has a lot of potential in the field of start-ups, this potential is not fully used and a large part of start-ups fail to develop their product. The main reasons named by the experts are the following:
 - insufficient education in the fields of technology and entrepreneurship in both schools and universities;
 - a lack of competencies among start-ups in the areas of sales, finance and law;
 - a lack of success stories among Lithuanian start-ups that could encourage other start-ups to take a risk and set up in Lithuania;
 - Lithuania is a good market for testing, but does not have much development potential due to its limited market.
- Lithuania is looking to attract start-ups from third countries. Start-up Visa, which allows temporary residence permits to be issued to start-ups, was launched in Lithuania in 2017, and the Start-up Employee Visa procedure, which will allow start-ups to bring in the employees that they need faster, was introduced in 2019. The Start-up Visa scheme works well. Officials have not detected any abuse of this admission scheme. Start-up representatives have responded positively to the Start-up Visa scheme, but have complaints about practical matters – regarding certain migration procedures and the provision of information in Lithuanian language only.
- The interviewed experts welcomed the Start-up Visa scheme, but doubts whether these measures are sufficient in the competitive battle that is currently taking place between EU countries. This assumption is substantiated by statistics – only 30 foreign start-ups were established in Lithuania in 2.5 years. The interviewed start-ups suggest that Lithuania needs more publicity in foreign countries – many of them had not heard about Lithuania as

start-up friendly country or about success stories among Lithuanian start-ups, so Lithuania was not their first country of choice. Even though Start-up Lithuania carries out publicity activities aimed at priority foreign countries, if the state's priority is to attract more foreign start-ups, more human and financial resources should be allocated for publicity.

- Although setting up a business in Lithuania is not difficult (if you have an electronic signature and submit the documents properly, you can register a company in one or two working days), foreign start-ups face problems, since without a temporary residence permit, it is difficult to get an electronic signature and open a bank account. Furthermore, when establishing a company electronically, everything is in Lithuanian language. These circumstances mean that it is difficult for foreigners who want to set up a company in Lithuania to do it themselves, and help is usually required.
- The main challenges that foreign start-ups face are:
 - There is no single set of clear and detailed guidance for what start-ups have to do if they want to set up a start-up in Lithuania and get a temporary residence permit on that basis. Each institution has its own rules, and there is a lack of systematic and clearly presented information in one place.
 - Until 26 July 2019 the law provided that a temporary residence permit on the basis of a start-up could only be issued for two years. According to both start-ups and Start-up Lithuania, this period is not enough for start-ups to establish themselves and develop their activities. The amendments adopted to the law as of 26 July 2019 provide that the residence permit will be issued for one year and may be renewed for one year twice (three years in total). This amendment is regarded positively by start-ups and Startup Lithuania, but it is important to note that Estonia, the main Lithuanian competitor, is issuing a temporary residence permit for a period of five years.
- The accelerator funds and their acceleration programmes can be mentioned as good practice. The accelerator fund managers themselves are looking for potential start-ups abroad – in this way, start-ups are learning about Lithuania and its start-up ecosystem, and are coming to Lithuania to develop their business. Foreign start-ups also commented positively Start-up Lithuania for its activities and the expeditious, professional and comprehensive assistance that contributed to their decision to move to Lithuania.

European Migration Network (EMN) is a network composed of migration and asylum experts from EU Member States, Norway and the European Commission. Its main objective is to collect, analyse and provide up-to-date, objective, reliable and comparable information on migration and asylum to policy makers at EU and Member State level and the general public.

The EMN National Contact Point (NCP) in Lithuania is composed of representatives from the Ministry of the Interior, the Migration Department, the State border guard service as well as the International Organization for Migration (IOM) Vilnius office which acts the national co-ordinator for the EMN activities in Lithuania. EMN NCP in Lithuania also collaborates with other entities from governmental as well as non-governmental institutions working in the area of migration.
