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Controversial Amendments to Estonia's Competition Act

July 2025

On 17 June 2025, Estonia's Riigikogu (Estonian parliament) passed significant amendments to the Competition Act after over four years of political debate. The revisions, required by the ECN+ Directive (Directive (EU) 2019/1 of the European Parliament and of the Council of 11 December 2018 to empower the competition authorities of the Member States to be more effective enforcers and to ensure the proper functioning of the internal market), were delayed despite the EU Commission's warning and penalties for non-compliance.

Key Change: Misdemeanour Procedures

The key change involves how competition violations will be handled. Initially, the government proposed an administrative procedure, but the law was amended to implement misdemeanour procedures. This change, promoted by the Minister of Justice Liisa Pakosta, was seen as a more efficient way to deal with competition breaches, promising quicker and fairer enforcement. Critics, especially from the Social Democrats (SDE), argued that this approach could overload the judicial system, leading to more legal challenges and delays.

Political Tensions and Lobbying Allegations

The bill's passage has been contentious. Following a government reshuffle in 2024, the Eesti 200 party took charge of the Ministry of Justice and Digital Affairs, and Pakosta's revision of the law sparked considerable political friction. While her supporters argue that the changes align Estonia with EU directives and promote fair competition, opposition figures like Jaak Aab (SDE) warn that the law would not tackle the core issue of market monopolies, leaving consumers to face high prices.

Lobbying has also been a significant issue, with reports of influential businessman Margus Linnamäe using media influence to sway political opinions on the bill. This has raised concerns about the law's potential bias towards protecting the interests of large companies rather than ensuring a level playing field.

Mixed Reactions from Industry

Industry reactions have also been mixed. The Estonian Competition Authority expressed concerns that the new law could complicate enforcement, with its provisions potentially leading to more drawn-out legal processes. The authority has also raised questions regarding the alignment of the law with the requirements of the ECN+ Directive.

Government's Justification

Despite the criticism, the Estonian government maintains that the law will strengthen market competition, reduce monopolistic practices, and provide consumers with better options at fairer prices. The law grants the Competition Authority the power to impose significant fines for violations, ensuring a more robust competitive landscape.

Conclusion

The government is optimistic that the new law will improve fairness and transparency in the market. However, there are concerns that the law may create administrative burdens and leave certain business sectors unchallenged. As these changes are implemented, stakeholders will need to monitor how they affect competition dynamics and enforcement practices. While the law passed with 66 votes in favour and 16 against, the heated debates suggest that future revisions might be necessary to address the concerns raised by political and industry stakeholders.

Latvia Simplifies Company Registration

July 2025

As of 16 July 2025, registering a company in Latvia has become significantly more efficient thanks to newly adopted amendments to the Commercial Law. These changes reduce the number of documents required by the Register of Enterprises, simplify procedures for share capital contributions and amendments, and aim to lessen the overall bureaucratic burden on businesses.

Establishing a company

Certificate of capital payment required only from €50,000

One of the key changes involves the procedure for paying share capital. Under the amended Section 147, the previous requirement to submit a certificate or confirmation from a payment service provider attesting to capital payment has been eliminated, provided that the cash contribution does not exceed 50 000 EUR.

According to the revised Section 149, if share capital is paid in cash and does not exceed 50 000 EUR, company founders may simply confirm in the application that:

- A payment account has been opened in the company's name; and
- The share capital has been deposited into that account.

The obligation to open a dedicated payment account and pay in the capital remains unchanged. Importantly, the 50 000 EUR threshold applies solely to the cash portion of capital. For example, if total capital includes both cash and in-kind contributions, and the cash portion alone is under 50 000 EUR, then no certificate from a payment provider is required.

In-kind Contribution Valuation Can Be Performed by Founders

The threshold for requiring an independent expert's valuation of in-kind contributions has been increased. Under the amended Section 154, such an evaluation is now necessary only if:

- The total value of in-kind contributions exceeds 25 000 EUR; and
- They make up more than 50% of the company's total share capital.

In other cases, the founders themselves may assess the in-kind contributions and provide a joint valuation opinion when registering the company.

Increasing Share Capital

Further simplification applies to the process of increasing share capital. Under the updated Section 201, a company's board may now assess in-kind contributions and issue an opinion in the following cases:

- If a claim under a loan agreement is contributed (i.e., debt capitalization), with no value limit; or
- If the total value of other in-kind contributions does not exceed 50 000 EUR.

The repeal of Section 202, Paragraph 2, Clause 4 eliminates the requirement to submit applications from shareholders or third parties when acquiring shares as part of a capital increase.

Additionally, as per the amended Section 202, Paragraph 2, Clause 5, a certificate from a payment provider is only needed if the company's capital exceeds 50 000 EUR after the increase. If not, the board may confirm the capital payment directly in the application.

Changes from 1 January 2026

Currently, under Section 332, a company undergoing liquidation must submit:

- A final financial statement,
- A distribution plan for remaining assets, and
- An auditor's opinion, if applicable.



Starting 1 January 2026, only the distribution plan will need to be submitted. The final financial statement and auditor's report will no longer be required, reducing complexity and costs in the liquidation phase.

Conclusion

These legislative updates mark a significant step forward in creating a **more business-friendly legal environment in Latvia**. By simplifying registration and capital procedures and reducing document requirements, the changes support a more dynamic and competitive corporate sector - especially for small and medium enterprises.

Important Tax Law Changes from 2026: What You Need to Know

July 2025

Following the signing of tax amendments by the President of the Republic of Lithuania, significant changes to the tax system will take effect on 1 January 2026. These reforms aim to ensure the long-term sustainability of the state budget and increase funding for national defense. Additional annual revenues to the Defense Fund are expected to exceed half a billion euros. Below is an overview of the key changes:

1. Personal Income Tax (PIT): Increased Progressivity

The PIT system will be adjusted to combine all of an individual's annual taxable income and apply three progressive rates:

- **20%** on income up to 36 average monthly wages (~6 900 EUR/month)
- **25%** on income between 36 and 60 average monthly wages (~6 900–11 500 EUR/month).
- **32%** on income exceeding 60 average monthly wages

Certain income types will be excluded from the aggregated annual income and taxed at a fixed 15% rate, regardless of amount. These include:

- Dividends
- Income from retained shares and stock options (subject to conditions)
- Life insurance and pension fund payouts
- Sickness, maternity, paternity, and long-term work benefits
- Gains from investment accounts

Income from individual business activities will be included in the progressive taxation system. However, taxation for low and middle-income earners (with taxable income up to 35 000 EUR annually) will remain unchanged due to applicable tax credits.

Income from the sale of non-precious metals, not related to individual business activities, will be taxed at a fixed 5% PIT rate.

New provision on real estate sales: From 2026, capital gains from real estate sales will be exempt from PIT if the property was held for at least 5 years (reduced from the current 10-year holding requirement).

From 2027, parents raising children will benefit from an additional non-taxable income amount (NPD) of 1 044 EUR per year or a tax credit of 208.8 EUR per child. Note that the NPD will only apply to salaries up to 2 562,49, and very small incomes will not be recalculated.

2. Corporate Income Tax: Increased Rates and Investment Incentives

Starting in 2026, corporate income tax rates will increase from 16% to 17% for the standard rate, and from 6% to 7% for the reduced rate. Businesses will be able to immediately depreciate certain long-term assets (e.g., equipment, IT hardware), allowing full deduction of their value in the year the asset is first used.

The 0% corporate tax exemption for small businesses will be extended from one to two years for newly established companies, and the previous requirement of employing at least 10 employees to qualify will be removed.

3. Real Estate Tax: Changes for Residents and Strengthened Municipal Roles

Non-commercial real estate owned by individuals will gradually be taxed based on property value. The primary residence, registered as the place of residence, will be exempt from tax if its value does not exceed 450 000 EUR. Any value above this threshold will be taxed at rates between 0.1% and 1%, with specific rates set by municipalities.



Other non-commercial properties (e.g., vacation homes, secondary residences) will be subject to progressive rates from 0.2% to 1% depending on property value. Part of these revenues will be allocated to the State Defense Fund. Commercial properties will incur an additional 0.2% tax.

4. VAT Changes: Adjustments to Reduced Rates

From 2026, VAT rates will change as follows:

Goods/Services	Until 31-Dec-2025	From 1-Jan-2026
Books and non-periodical publications	9%	5%
Accommodation, passenger transport, cultural events	9%	12%
Centralized heating, hot water, firewood	9%	21%

Additionally, conditions under which financial services qualify as VAT exempt have been clarified.

5. Excise Duty on Sweetened Beverages

A new excise duty will be introduced on non-alcoholic drinks containing more than 2.5 g of sugar per 100 ml or sweeteners. The excise rate will range from 7.40 EUR to 21.00 EUR per hectoliter based on sugar content. This duty will also apply to beverage concentrates. Prices are expected to rise by 0.09 EUR to 1.27 EUR per liter.

6. New Security Contribution Tax

From 2026, insurers operating in Lithuania will pay a 10% security contribution on non-life insurance premiums, excluding compulsory motor third-party liability insurance for individuals and agricultural insurance. This tax is projected to generate over 100 million EUR annually for national defense.

7. Tax Administration and Control

Tax administration procedures will be refined, including simplified communication on deadline extensions, reporting obligations for cryptocurrency service providers to the State Tax Inspectorate, and more detailed rules on tax agreements, dispute suspensions, and mitigating circumstances related to liability.

In summary, these changes represent a major reform of Lithuania's tax system with significant impacts on both individuals and businesses. While some measures increase the tax burden, they also aim to ensure a fairer income distribution and strengthen the country's defense capabilities. We recommend proactively assessing how these changes may affect your financial or business situation.

If you have any questions or require personalized advice, please do not hesitate to contact our team.