

# LITHUANIA

## General information\*

- Capital: Vilnius
- Population: 2.956 million
- GDP: \$45.93 billion

## CSO legal forms and their characteristics

### *Civic Association*

- General membership based CSO form, chosen when a large number of members or volunteers is anticipated with the intention to pursue common goals.
- The association is also preferred when several legal entities intend to pursue common goals.

### *Public Institution*

- Combination of membership and non-membership based organisational form, active in the provision of public benefit services.

### *Charity and Sponsorship Foundation*

- Non-membership based form, created to gather financial assets and redistribute them according to the statutory purposes.
- Stronger role of the founder or manager, employees just implement their decisions.

## Key CSO laws



- Law No. IX-1969/2004 on Associations;
- Law No. I-1428/1996 on Public institutions;
- Law No. I-1232/1996 on Charity and sponsorship foundation;
- Law No. XII-717/2013 on Development of Nongovernmental Organisations.

\* Source: World Bank, 2013.

# 1. Existing forms of CSOs and their characteristics

## ? What forms of CSOs exist? What are their main characteristics?

The existing CSO forms include: **Association** (*Asociacija*), **Public institution** (*Viešoji įstaiga*), and **Charity and sponsorship foundation** (*Labdaros ir paramos fondas*) as described above. For the purposes of this Handbook we will provide information on Association, Charity and sponsorship foundation and Public institution.

## ? Are there any restrictions on the permissible goals and activities of CSOs?

**Association:** Association's purpose set by law (Article 3 of the Law on Associations) is to coordinate the activities of its members, represent them, protect their interests or satisfy other public interests. Association cannot engage in:

- a) overthrowing or changing the constitutional order of the Republic of Lithuania or damage the integrity of the Republic of Lithuania;
- b) promoting war and violence, authoritarian or totalitarian regime, inciting racial, religious, social strife, violation of human rights and other legal freedoms;
- c) carrying out actions that are contrary to the laws of the Republic of Lithuania and universally recognised norms of international law, to act in the interests of other countries, if they are contrary to the interests of the Lithuanian state.

**Charity and sponsorship foundation:** Charity and sponsorship foundation (hereinafter — foundation) is a public legal entity of limited liability, gathering assets and redistributing them to those in need. The main goal of a foundation is to provide charitable contribution and/or sponsorship, or other form of help in accordance with the Law on charity and sponsorship of the Republic of Lithuania (hereinafter — Charity and sponsorship law) particularly in the area of science, education, culture, art, religion, sports, health protection, social care and treatment, environment protection and other public beneficial purposes without the intention of gaining profit.

**Public institution:** Public institution is a non-profit limited liability legal entity with a purpose to satisfy public interest in the areas of education, training and scientific, cultural, health, environment and sports development, social or legal aid as well as other public benefit issues. The activities of a public institution shall be in compliance with its articles of association, Civil Code and other laws and legal acts (Article 2 of the Law on Public institutions).

## 2. Requirements on the founders of a CSO

**?** What is the minimum number of founders required by law?

*Association:* 3.

*Charity and sponsorship foundation:* 1.

*Public institution:* 1.

**?** What are the eligibility requirements for founders? Are foreign citizens allowed to serve as founders?

No eligibility requirements, both individuals and/or legal entities, regardless the country of origin may serve as founders.

**?** Are there any property or cash contribution requirements for the founders?

*Association:* No.

*Charity and sponsorship foundation & Public institution:* The law stipulates that founders are obliged to transfer some amount of money or other form of assets to the organisation after its establishment, without specifying the exact sum.

## 3. Registration procedure

**?** Which authority is responsible for the registration?

Register of legal entities, which is a division of the main registration authority called Center of Registers.

**?** What is the registration fee?

*Association & Charity and sponsorship foundation:* EUR 26.

*Public institution:* EUR 31.

**?** Are there any other direct financial costs of the establishment of a CSO?

- *Notary fees* for verification of association's founding documents (EUR 43–EUR 130 depending on the number of founders); foundations are exempt from this fee.

- *Reservation of the name of the organisation* – EUR 16 not obligatory, but highly recommended because the organisation might be refused registration due to the non-compliance with the Lithuanian language rules. If this is the case, then the organisation must pay again the notarial costs for changing the founding documents.

## How long should the registration process take?

Article 2.64 par. 3 of the Civil Code stipulates that after submission of the documents to the Register of legal entities and payment of fees, the registration authority shall register the organisation within 3 days. Nevertheless, there are cases when the procedure can take up to 6 months.

## Which documents are required for registration?

### **Association:**

- *The Statutes*; the content is regulated in Article 12 of the Law on Associations;
- *Minutes of the Statutory Meeting*; the founding meeting where the statutes are adopted and the executive body is appointed;
- *Founding Act*; the content is regulated in Article 5 of the Law on Associations;
- *Application form for registration*;
- *Owner's approval if the organisation's premises do not belong to any of its founders*;
- *Duty stamps or payment confirmation*;
- *Certificate of the authenticity of the documents and proof of compliance of the documents with the national legislation.*

### **Charity and sponsorship foundation:**

- *The Statutes*; the content is regulated in Article 14 of the Law on Charity and sponsorship foundations;
- *Minutes of the Statutory Meeting*; from the constitutive meeting where the statutes are adopted and the executive body is appointed
- *Founding Act*; the content is regulated in Article 5 of the Law on Charity and sponsorship foundations;
- *Application form for registration*;
- *Owner's approval if the organisation's premises do not belong to any of its founders*;
- *Duty stamps or payment confirmation*;
- *Certificate of the authenticity of the documents and compliance of the first three documents with the national legislation.*

### **Public institution:**

- *The Statutes*; the content is regulated in Article 6 of the Law on Public institutions;
- *Minutes of the Statutory Meeting*; the founding meeting where the statutes are adopted and the executive body is appointed;

- *Founding Act*; the content is regulated in Article 5 of the Law on Public institutions;
- *Application form for registration*;
- *Owner's approval if the organisation's premises do not belong to any of its founders*;
- *Duty stamps or payment confirmation*;
- *Certificate of the authenticity of the documents and proof of compliance of the documents with the national legislation*.

### **Is electronic submission possible?**

Yes.

### **Is there a requirement to have an office in the country? Are there any specific requirements related to it?**

The organisation must have an office in Lithuania; owner's approval about the registration of the office in his/her premises must be presented to the notary together with all other registration documents. For the registration of the office on the premises of other legal entity, such as company or municipality, a signed consent of the owner is sufficient, there is no obligation to get a notary approval.

### **Are there additional requirements related to registration?**

No.

### **Are there additional administrative procedures related to registration?**

*Association must:*

- obtain a tax number at the Tax Administration office.

*Charity and sponsorship foundation & Public institution must:*

- obtain a tax number at the Tax Administration office;
- open a bank account in a bank operating in Lithuania.

### **What are the legal grounds for denial of registration?**

The general grounds for denial of registration applicable to all legal entities are described under Article 2.68 of the Civil Code:

- the application for registration fails to conform with the specific type of legal entity or not all the documents required by Law (see above) are produced;
- the incorporation documents were not filed at the registration authority within 6 months from the day when they were drafted. Unless there are other laws that provide different time limit, these documents are deemed to be void;

- data and documents produced to the registration authority are not in conformity with one another, are vague or misleading;
- form or content of the documents fail to conform to the requirements provided for by law.

The additional grounds applicable only to CSOs are when the organisation's purposes or goals are not in compliance with what is set for them by Law on Associations and Law on Charity and Sponsorship Foundation.

## 4. Sources of funding



### What are the possible sources of funding?

- Available sources of income include:
- State funding (on both national and local level);
- Donations from domestic and foreign individuals and legal entities;
- Membership fees;
- Funding from corporate foundations and/or endowment fund;
- Income from economic activities;
- International and EU funding mechanisms;
- Income from service charges and legacies.

Individuals may allocate 2% of their income tax to the approved public benefit CSOs.



### What are the restrictions on the possible sources of funding?

None.

## 5. Tax treatment of CSOs



### What is the income tax treatment of CSOs?

CSOs are generally exempt from income tax for statutory activities. Up to EUR 7,250 income from the non-statutory economic activities are tax exempt. Any income exceeding EUR 7,250 is taxed at a regular rate of 15%.



### What is the VAT treatment of CSOs?

Social services and services in the fields of healthcare, education, culture, and sports, as well as services provided by CSOs to their members and income generated during charity events are exempt from VAT. To the rest, a general VAT rate of 21% applies.

## Are there any tax benefits for donors in place?

Yes, but only for corporate donors. They can deduct double the amount of the donation and up to 40% of taxable income from their taxable income.

## 6. Obligations of a registered CSO

### What are the reporting requirements of a registered CSO?

#### *Association:*

- Activity report together with the financial statement must be submitted annually to the Register of legal persons. The obligatory content of the report is described in Article 10 (2) of the Law on Associations.

#### *Charity and sponsorship foundation:*

- Activity report together with the financial statement must be submitted annually to the Register of legal persons. The obligatory content of the report is described in Article 12 of the Law on Charity and sponsorship foundations. According to Article 11 of the respective Law, Charity and sponsorship foundations shall also undergone regular audit and internal control, regulated by its statutes.

#### *Public institution:*

- Activity report together with the financial statement must be submitted annually to the Register of legal persons. The content of the activity report is described in Article 12 of the Law on Public institutions. The financial statement shall be audited when the *General meeting of shareholders* decides so.

Financial statement must be submitted to tax authorities and shall contain following:

- financial documents;
- declaration (PLN204N form);
- report on utilisation of the financial resources for the public benefit purposes, or narrative report if no activities have been implemented;
- real estate declaration (FR0572 v.4 form);
- information on received donations and their utilisation.

### Are there additional obligations of a registered CSO?

Yes, state authority responsible for the social issues State Social Insurance Fund Board (SODRA) shall be informed about all new employees, maternity/paternity leaves, termination of contracts etc.

## 7. Internal governance of the organisation

### What are the basic requirements related to the governance and internal structure as provided by law?

**Association:** Two mandatory bodies are:

- a) *General assembly of members*, the supreme body of the association; its competences include: election and appointment of the members of the executive body and member of other bodies, decisions on amendment of the founding documents or reorganisation of the association, approval of the financial statements and others (Article 8 of the Law on Associations);
- b) *Executive body* (single or collegial), represents the organisation in public, enters into contracts with third persons, hires and dismisses employees and members of the management and other collegial bodies (Article 8 of the Law on Associations).

Other bodies such as *Revision commission* are optional, their rights and duties are set by statutes.

**Charity and sponsorship foundation:** Two mandatory bodies are:

- a) *General meeting of shareholders*; the supreme body of the foundation, its competencies include: election and appointment of the members of the Board and the executive body, amendment of the statutes, approval of annual financial statements and other (Article 8 of the Law on Charity and sponsorship foundations);
- b) *Executive body* (single or collegial); acts on behalf of the foundation, maintains relationships with other people, executes transactions on behalf of the foundation (Article 9 of the Law on Charity and Sponsorship foundations).

Supervisory bodies, *Board or Revision commission*, are optional.

**Public institution:** Mandatory bodies are:

- a) *General meeting of shareholders*; a supreme managing body; its competencies include: to amend the statutes, determine the fees and charges for services, work and production if they are not determined by the Government, appoint and remove from the office the head of administration, approve the financial statement and others (Article 10 of the Law on Public institutions),
- b) *Administration*; it shall organise and implement the operations of public institution (Article 10 of the Law on Public institutions).

Collegial governing bodies such as *Board or Council* are optional.

All organisations have a right to decide how often their bodies meet, but they are obliged to meet at least once a year. Organisations decide how the decisions are made, usually it's by a popular majority principle, but decisions on organisations reorganisation or dissolving the organisation shall be adopted only when at least 2/3 members are supporting it).

**? Are there any eligibility requirements to the members of the governing bodies?**

All have to be over 18 years of age and have a full legal capacity.

**? Are foreign citizens allowed to serve on the board?**

Yes.

**? Is a financial responsibility of the founders and members of the governing bodies regulated by law?**

Only for intentional acts against organisation or violation of legal provisions. Each organisation (public institution, association, charity and sponsorship foundation) has its own laws. These laws regulate responsibilities of the governing bodies. Also some taxation laws regulate responsibilities of the governing bodies.

## 8. Staff and members of the organisation

**? Are there any eligibility requirements to the staff and members of a CSO?**

All must be over 18 years of age and have a full legal capacity. Children's associations have an exception- members can be younger; children that are under 14 years of age need a written consent of their parents or legal guardians.

**? Is there a requirement to have a full-time employee?**

No.

**? Is there a requirement to have an accountant?**

No.

## 9. Voluntary dissolution and liquidation

**? What is the liquidation procedure in case of voluntary dissolution of a CSO?**

In case of dissolution of a CSO, governing body must adopt a decision and submit it to the Register of legal entities. The liquidation procedure is regulated under Civil Code (Article 2.70.) and specifically for each organisational form in their separate laws.

**Association:** The association is obliged to meet all creditors' requirements in the manner prescribed by law and members' requirements regarding their part of the assets of the association, without exceeding the initial contribution of a member or the membership fee. All the remaining assets and funds shall, prior to the removal of the association from the Register of Legal Entities, be transferred to another or other public legal persons who are designated by a general meeting of members or the court (Article 17 of the Law on Associations).

Besides the general requirements laid down by the Civil Code, the liquidator has to:

- publicly announce the liquidation of the association and submit to the Register of Legal Entities the documents confirming the decision to liquidate the association as well as its data;
- make a balance at the beginning of the period of liquidation;
- transfer the remaining assets of the association in accordance with the procedure laid down by this Law;
- draw up an act of liquidation of the association. An act of liquidation of the association shall describe the process of liquidation and confirm that all liquidation-related actions have been carried out;
- transfer the documents for retention in accordance with the procedure laid down by the Law on Archives;
- submit to the manager of the Register of Legal Entities an act of liquidation of the association and other documents necessary to remove the association from the Register.

**Charity and sponsorship foundation:** The Law on Charity and Sponsorship foundations refers to the procedure in the Civil Code. In addition, the conditions set up for the liquidator in the Law on Associations apply here as well.

**Public institution:** If the public institution decides to go through liquidation, the general meeting shall appoint a liquidator. From the effective day of appointment of the liquidator, the other bodies of the public institution lose their powers. The liquidation of a public institution shall be made public three times, with an interval of at least 30 days in between, or by giving written notice to all public institutions in written form. It shall contain information specified in Article 17 (8) of the Law on Public institutions. The rights and duties of the liquidator are described in Article 18 of this Law.

*Conditions of registration and administration  
of CSOs in Lithuania are available  
at [www.ngoin.lt](http://www.ngoin.lt)*