



CEE

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LEGAL MATTERS

IN-DEPTH ANALYSIS OF THE NEWS AND NEWSMAKERS THAT SHAPE
EUROPE'S EMERGING LEGAL MARKETS

Guest Editorial by Bernhard Hager of Eversheds Sutherland Slovakia ■ Across the Wire: Deals and Cases ■ On the Move: New Homes and Friends
The Debrief: November 2023 ■ The Buzz ■ The Inside Track: Parting Ways ■ Regulating a Revolution: AI-Driven Innovation in CEE and Beyond
The Corner Office: Budget, Budget, Budget ■ CEELM Top 10: Most-Read Deals and Cases ■ Market Spotlight: Baltics
Charting Scandinavian FDI's in the Baltics ■ Fintech in Lithuania: A Maturing Market
Inside Insight: Gabija Kuncyte of Compensa Life Vienna Insurance Group ■ Know Your Lawyer: Dace Silava-Tomsone of Cobalt ■ Experts Review: Tax



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EDITORIAL: ON FEEDBACK

By Teona Gelashvili

2023 has been a challenging year weather-wise, at least in the three countries in CEE – Hungary, Romania, and Serbia – where our team members are located. It feels like autumn has barely arrived when, in reality, it will be winter in only a few weeks. Still, this fall much of our office has been hit by some seasonal bug or another. Fevers, coughs, and headaches – whether our colleagues or their family members were being affected – have been inseparable parts of our routine daily sync-up call for many weeks already.

With so much happening, we are particularly happy to have reasons to remain motivated and keep doing what we do. Just recently, on the morning of October 25 (which coincidentally was my birthday), we had a delightful topic to discuss, an unexpected (and unprompted) email from one of our readers. “Such wonderful and valuable content the edition as a whole contains,” said the email. “It amazes me how you guys manage to crank out such volumes every month! I commend the effort and end product.”

It was certainly pleasant to hear, knowing that our work reaches our readers. While we occasionally do receive some notes, whether positive or negative, still, it can sometimes feel like we are yelling into a void: Is anyone really listening? Are we making a difference? For me, after around two years of being with CEELM – with over 8,000 magazine subscribers and over 47,000 visitors per day on the website – it still feels somewhat surreal to realize that *yes, people do notice and pay attention to what we write*. Such personal reminders help. A lot.

On a different note, when asked about my favorite part of the CEELM magazine, my answer is always “The Buzz,” without

any hesitation. What sets it apart, other than the content of the interviews is our almost weekly interactions with lawyers. Here, while we do have a specific topic to discuss, we don’t have any prepared agenda and it’s the lawyers deciding what to focus on. Quite commonly, we hear phrases such as “We read previous interviews for our jurisdiction, and we think” this and that, or the interviewee might reference some topics from the magazine. It is delightful, interactive, and clear evidence that what we do is not a one-way street.



Having emphasized the value of positive feedback, the importance of constructive criticism and its impact on our growth cannot be underrated and is quite self-explanatory. Whether it is about specific topics in our magazine, suggestions about refining our methodology, or simply wanting to improve certain aspects of our work – please, always feel free to reach out. This is how we evolve as a publication. After all, after a decade of our existence, we are just now getting close to our teenage years – a formative period in anyone’s life.

In the end, I would like to express my gratitude for the efforts of our team, who work tirelessly *in sickness and in health* to ensure that the issue is out. We take pride in producing content that resonates with our readers, and we’re grateful for the support and all types of feedback we receive. Thank you for being a part of our CEELM community, and please be assured that we’d be happy to hear from you. To quote my colleague, Bianca: “Even a brief three-line email can work its magic, bringing a glint to our sometimes-tired eyes.” ■



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Letters to the Editors:

If you like what you read in these pages (or even if you don’t) we really do want to hear from you. Please send any comments, criticisms, questions, or ideas to us at: press@ceelm.com

GUEST EDITORIAL: LAWYERING IN CEE – THEN AND NOW

By Bernhard Hager, Managing Partner, Eversheds Sutherland Slovakia



CEE Legal Matters invited me to write about “lawyering in CEE.” My “lawyering” in the region started on January 2, 2000, when I was a young graduate working in Vienna for clients with business in the Czech Republic and Slovakia, and soon I was sent to Prague, and Bratislava. Over time, I witnessed not only economic

booms and crises and political and economic transformations but also changes in the legal market and how law firms work.

In 2000, the quality of local Czech or Slovak law firms was not very convincing and quite *old school*. To be successful and to get international clients, it was enough to speak German or English and have good contacts, sometimes dating back to before 1989.

With the EU accession process and large privatizations underway, this was the perfect market for large international firms and young lawyers. Internationals opened their branches in downtown Prague and Bratislava and young local lawyers were working day and night for international fees on projects that, in Western jurisdictions, would normally be reserved for Senior Partners. This is how I came to arrive in 2000 to Bratislava as a graduate, yet worked with colleagues of my age on a huge bank privatization project. As an Austrian lawyer and German native speaker, my task was to redraft memos so that they would be “understandable, short, and less communistic,” as my boss described it.

After the privatizations and EU accession were concluded, many of the large international law firms left. However, their know-how stayed with the mentioned young local lawyers, who either took over the branches of the leaving firms or established their own firms and started providing first-class legal work for lower fees.

It is not only the ownership structure of law firms that underwent a significant transition but the legal society as a whole. In 2000, everybody knew and accepted that being a lawyer meant working day and night, but for reasonably good money. Juniors had a clear idea about their careers and their main aim was to be economically and financially secure. Nowadays, young students in Slovakia and the Czech Republic, like Gen Z or Alphas, tend to have different priorities. As a result, nowadays we offer agile working, work-life balance, multisport cards,

language training, team building, etc., yet it is still difficult to attract young talent. That said, people *are* happy, the atmosphere in the firm is good, so I do not miss the old times.

Business life has become much more professional, and even mid-sized firms nowadays have compliance rules and apply them. A good lawyer now has to know the law, not the name of the judge. The judicial system itself improved significantly – especially the Czech one is now comparable to the Austrian system (Slovakia improved as well, but there is still plenty left to do). However, after the last general election in Slovakia, our main concern is keeping the *status quo* and not falling back by a few years.

After 2000, governments were quite eager to adopt big legal reforms and take examples from different countries. That time of big legal reforms seems to be over, however, there is a big influx of EU and international legislation. ESG, compliance, sanctions, cybersecurity, AML, AI, new banking rules, etc., are examples that already form a significant part of our legal work.

Even though business life and the legal world have become more professional and reliable, a certain disrespect for laws and contracts in Slovakia and the Czech Republic has not changed much over the last decades. When a new legislative piece appears, people immediately start brainstorming on how to circumvent it. If they sign a contract, they spend a lot of energy on finding a way to not perform it. In a contract according to English law, the parties agree on A and then deliver A. In a Slovak contract, the parties agree on A and, at the same time, they exclude B, C, D, and E, otherwise one party would come up with C. In order to avoid loopholes and to have every possible situation ruled in detail by contracts or laws, typical contracts and laws in this region are therefore very complicated, detailed, and casuistic. After 20 years of working in CEE, you are used to this but you still have the challenge of explaining such contractual or legal monsters to a client from a different jurisdiction.

In short, the legal landscape and legal market changed a lot in CEE. Nowadays it is comparable to the West in terms of quality, ethics, and work culture. We are also hunting for talent and strive to make them happy. Like anywhere else in the EU, CEE lawyers have to learn every day to be up to date with new legal developments like ESG, compliance, sanctions, cybersecurity, AI, and the like. ■

TABLE OF CONTENTS

PRELIMINARY MATTERS

- 3 Editorial: On Feedback
- 4 Guest Editorial: Lawyering in CEE – Then and Now

ACROSS THE WIRE

- 6 Across The Wire: Deals and Cases
- 13 The Debrief: November 2023
- 14 On the Move: New Homes and Friends

LEGAL MATTERS

- 16 The Buzz
 - 16 A New Era of Corporate Responsibility in Hungary: A Buzz Interview with Zoltan Novak of Taylor Wessing
 - 17 Slovakia's Contentious Autumn: A Buzz Interview with Peter Kubina of Dentons
 - 18 Austria Dons Its New Corporate Cap: A Buzz Interview with Phillip Dubsky of Herbst Kinsky
 - 19 Moldova Shows Flexibility and Builds Resilience: A Buzz Interview with Sorin Dolea of Dolea & Co
 - 20 North Macedonia Is Serious About the EU: A Buzz Interview with Jasmina Ilieva Jovanovik of Debarliev, Dameski & Kelesoska
 - 21 Serbia Holds Its Breath for Elections and Construction Boom: A Buzz Interview with Ivana Ruzicic of PR Legal
 - 23 Three Wins and a Labor Strike in Croatia: A Buzz Interview with Tena Tomek of Marohnic, Tomek & Gjoic
 - 24 Albania Bets on Tourism, Renewables, and IT: A Buzz Interview with Mirko Daidone of CMS
 - 25 Slovenia Rolls Up Its Sleeves: A Buzz Interview with Minu Gvardjancic of Ketler & Partners, Member of Karanovic
- 26 The Inside Track: Parting Ways
- 28 Regulating a Revolution: AI-Driven Innovation in CEE and Beyond
- 30 The Corner Office: Budget, Budget, Budget
- 33 CEELM Top 10: Most-Read Deals and Cases

MARKET SPOTLIGHT: BALTICS

- 35 Activity Overview: Estonia
- 36 Activity Overview: Latvia
- 36 Activity Overview: Lithuania
- 37 Market Snapshot: Baltics
 - 37 An Overview of Intellectual Property Practices in Lithuania
 - 38 Revised Labor Migration Rules in Lithuania
 - 39 Lithuania on the Path to Energy Independence
- 40 Charting Scandinavian FDIs in the Baltics
- 42 Fintech in Lithuania: A Maturing Market
- 44 Inside Insight: Interview with Gabija Kuncyte of Compensa Life Vienna Insurance Group
- 46 Know Your Lawyer: Dace Silava-Tomsone of Cobalt

EXPERTS REVIEW

- 48 Tax in CEE

ACROSS THE WIRE: DEALS AND CASES

Date Covered	Firms Involved	Deal/Litigation	Value	Country
22-Sep	Binder Groesswang	Binder Groesswang advised Linde Verlag on the establishment of its digital subsidiary Linde Digital with the participation of Venionaire Capital.	N/A	Austria
28-Sep	Act Legal (WMWP); Brandl Talos; Herbst Kinsky	Brandl Talos advised Kompas and Herbst Kinsky advised Ventech on co-leading the USD 11 million Series A investment round into Prewave. Act Legal WMWP reportedly advised Prewave on the round.	USD 11 million	Austria
3-Oct	Herbst Kinsky	Herbst Kinsky, working with Burghardt Schumann, advised Foex's shareholders on their exit to an Oracle subsidiary.	N/A	Austria
4-Oct	Schoenherr; Wolf Theiss	Schoenherr advised the managers on the EUR 750 million issuance of 2.5% mortgage pfandbriefe due 2030 by the Erste Group Bank. Wolf Theiss advised Erste.	EUR 750 million	Austria
5-Oct	Paul Hastings; RPCK Rastegar Panchal; Schoenherr	RPCK Rastegar Panchal advised YodelTalk Limited and its founders on the sale of the company to Sendinblue. Schoenherr and, reportedly, Paul Hastings advised Sendinblue on the acquisition.	N/A	Austria
6-Oct	Binder Groesswang; Dorda; E+H	E+H advised Materna Information & Communications on its acquisition of Radar Cyber Security. Dorda and Binder Groesswang reportedly advised the sellers.	N/A	Austria
10-Oct	RPCK Rastegar Panchal; Schoenherr	RPCK Rastegar Panchal advised Tierglueck on the sale of its Zoo & Co store in Klosterneuburg to Fressnapf Handels. Schoenherr advised Fressnapf on the acquisition.	N/A	Austria
11-Oct	E+H; Jauffer; Puschner Spornbauer Rosenauer Quinn Emanuel Urquhart & Sullivan	E+H advised Leonardo Hotels Central Europe on the acquisition and restructuring of a hotel portfolio from the Austrian Star Inn Group. Reportedly, Puschner Spornbauer Rosenauer advised the former shareholders while Jauffer advised the target company.	N/A	Austria
13-Oct	Barentskrans; Cerha Hempel; Graf Patsch Taucher; Hogan Lovells; Osborne Clarke	Cerha Hempel, working alongside Osborne Clarke and Netherlands-based Barentskrans, advised the Borealis Hotel Group on its acquisition of the Bierwirth & Kluth group of companies' hotel portfolio. Hogan Lovells and Graf Patsch Taucher advised B&K.	N/A	Austria
14-Oct	Cerha Hempel	Cerha Hempel advised healthcare platform Heldyn on its launch and its first financing round which included AS2K and C-Quadrat founder Alexander Schuetz.	N/A	Austria
6-Oct	Bech Bruun; CLP; Filip & Company; Freshfields; Georgiades & Pelides; Rymarz Zdort; Tsvetkova Bebov & Partners	Freshfields Bruckhaus Deringer, Rymarz Zdort, and Filip & Company advised One Equity Partners on its acquisition of Muehlhan's European and US businesses. Reportedly, Eversheds Sutherland member firm Tsvetkova, Bebov & Partners advised the buyer in Bulgaria, while Bech-Bruun, Georgiades & Pelides, and CLP advised the buyer in Denmark, Cyprus, and Norway.	N/A	Austria; Bulgaria; Poland; Romania
4-Oct	Dentons; Dimitrijevic & Partners	Dentons and Dimitrijevic & Partners advised coordinator, bookrunner, and mandated lead arranger UniCredit on a EUR 90 million term loan facility for Mtel Banja Luka. Solo practitioner Loren Richards reportedly advised the borrower.	EUR 90 million	Bosnia and Herzegovina; Poland; Romania
16-Sep	Kinstellar; Tsvetkova and Partners	Kinstellar advised 52 Entertainment on the acquisition of Bulgarian game developer Casualino. Tsvetkova & Partners advised Casualino on the sale.	N/A	Bulgaria
22-Sep	CMS	CMS advised Vier Gas Transport on its successful participation in a tender for selecting a consultant for monitoring and control of the implementation of a commercial dispatcher center for the Interconnection Greece-Bulgaria project held by ICGB AD.	N/A	Bulgaria

Date Covered	Firms Involved	Deal/Litigation	Value	Country
14-Oct	Cooley; Djingov, Gouginski, Kyutchukov & Velichkov	Djingov, Gouginski, Kyutchukov and Velichkov advised a Silverline Partners Fund LP-led consortium of private equity investors on their EUR 6.8 million Series A investment in Alcatraz Bulgaria. Cooley reportedly advised Alcatraz on the deal.	EUR 6.8 million	Bulgaria
7-Oct	BDK Advokati; Boyanov & Co; Divjak Topic Bahtijarevic & Krka; Hristov Partners; Kolcuoglu Demirkan Kocakli; Nestor Nestor Diculescu Kingston Petersen; Penkov Markov & Partners	Boyanov & Co advised BioIVT on its acquisition of Fidelis Research. Divjak Topic Bahtijarevic & Krka, BDK Advokati, Nestor Nestor Diculescu Kingston Petersen, and Kolcuoglu Demirkan Kocakli advised BioIVT on Croatian, Serbian, Romanian, and Turkish law-related matters, respectively. Hristov & Partners advised Integrity Capital Investments on the sale. Penkov Markov & Partners advised the other sellers.	N/A	Bulgaria; Croatia; Romania; Serbia; Turkiye
4-Oct	Bradvica Maric Wahl Cesarec; Kinstellar (Zuric i Partneri)	Kinstellar's Croatian affiliate Zuric i Partneri advised Angelina Yachtcharter Holding on its acquisition of an 85% stake in Ultra Sailing. Bradvica Maric Wahl Cesarec advised the seller.	N/A	Croatia
7-Oct	Vukmir & Associates	Vukmir & Associates advised the majority creditors and bankruptcy administrator on the restructuring and exit from the bankruptcy of Dubrovnik-based Belvedere.	N/A	Croatia
16-Sep	Clifford Chance; CMS; Dominkovic & Osrecak	Clifford Chance and Dominkovic & Osrecak advised Taaleri Energia and Encro on the EUR 126 million senior debt financing package for the construction of the Zadar wind farm in Croatia. CMS advised the lending consortium.	EUR 126 million	Croatia; Poland
21-Sep	Kocian Solc Balastik; Wilsons	Kocian Solc Balastik advised the Passerinvest Group on its acquisition of Prague's Gamma office project from Immofinanz. Wilsons advised the seller.	N/A	Czech Republic
22-Sep	PwC Legal; Rowan Legal	PwC Legal advised AMiT Holding co-founders and co-owners Michal Prerovsky, Martin Vosahlo, and Karel Ludvik on their sale of a 70% stake in AMiT Holding to Central Europe Industry Partners. Rowan Legal advised CEIP on the acquisition.	N/A	Czech Republic
27-Sep	Havel & Partners	Havel & Partners advised Skoda Auto in resolving disputes over the use of the Skoda sign with engineering companies from the Skoda Group.	N/A	Czech Republic
29-Sep	Havel & Partners; PwC Legal	PwC Legal advised Orlen Unipetrol on the acquisition of Remaq. Havel & Partners advised Libor Vecera, Renata Vecerova, and Dieffe SRL on the sale.	N/A	Czech Republic
5-Oct	Baker McKenzie; NautaDutilh	Baker McKenzie advised Energeticky a Prumyslovny Holding on its acquisition of all shares in the Dutch PZEM Energy Company and PZEM Pipe and 50% of shares in Sloe Centrale Holding from PZEM. NautaDutilh advised PZEM.	N/A	Czech Republic
10-Oct	Kocian Solc Balastik	Kocian Solc Balastik advised J&T Banka on the CZK 1 billion increase of Rohlik Group's bond issuance.	CZK 1 billion	Czech Republic
11-Oct	Allen & Overy; Compleneo	Allen & Overy advised Eurowag on a strategic partnership through the acquisition of a minority stake in the JITpay Group. Reportedly, Germany-based Compleneo advised the JITpay Group.	N/A	Czech Republic
12-Oct	Cytowski & Partners; Linkers Legal	Cytowski & Partners advised both Talkbase and J&T Ventures on Talkbases' USD 2 million pre-seed financing. Linkers Legal advised J&T Ventures as well.	USD 2 million	Czech Republic
13-Oct	Clifford Chance; Pierstone	Clifford Chance advised ArcTern Ventures on leading a EUR 16.3 million Series A funding round for Woltair. Pierstone reportedly advised Woltair on the deal.	EUR 16.3 million	Czech Republic
16-Sep	Baker McKenzie; DLA Piper	DLA Piper advised Wirtualna Polska on its acquisition of the Szallas Group from Portfolion Capital Partners and private individuals. Baker McKenzie advised Portfolion.	EUR 82 million	Czech Republic; Hungary; Poland; Romania
26-Sep	Bpv Braun Partners; HKV; Oppenheim; Penteris	Penteris, HKV, Oppenheim, and BPV Braun Partners advised Immofinanz on the acquisition of a retail property portfolio from the CPI Property Group for EUR 324.2 million.	EUR 324.2 million	Czech Republic; Hungary; Poland; Slovakia
3-Oct	Dentons; White & Case	Dentons advised Komerční Banka and Ceska Sportelna on the EUR 715 million refinancing of the Eurowag Group. White & Case advised Eurowag.	EUR 715 million	Czech Republic; Poland; Slovakia

Date Covered	Firms Involved	Deal/Litigation	Value	Country
20-Sep	Clifford Chance	Clifford Chance advised Actis on the launch of its portfolio business Rezolv Energy and on Rezolv's acquisition of the Romanian Vis Viva onshore wind project from Low Carbon.	N/A	Czech Republic; Romania
16-Sep	JSK; Samak	JSK advised Abris Capital Partners and its portfolio company Alsendo on their acquisition of a majority stake in Zaslav.cz. Samak reportedly advised the sellers.	N/A	Czech Republic; Slovakia
26-Sep	PRK Partners	PRK Partners advised Ceska Sporitelna, Komerčni Banka, and UniCredit Bank Czech Republic and Slovakia in the sale of bonds issued by EPH Financing.	N/A	Czech Republic; Slovakia
19-Sep	Arvisto & Partners; TGS Baltic	TGS Baltic advised Ordi majority shareholder Sulev Sisask on the sale of his company shares to Klick Eesti. Arvisto & Partners advised the buyer.	N/A	Estonia
19-Sep	Cobalt; TGS Baltic	Cobalt advised Karma Ventures on its investment in employee relocation management start-up Jobbatical. TGS Baltic advised Inventure on leading the EUR 11.6 million investment round.	EUR 11.6 million	Estonia
20-Sep	Ellex	Ellex advised Toi Toi & Dixi Handels und Verwaltungs on the acquisition of portable toilet rental company Kemmerling.	N/A	Estonia
3-Oct	PwC Legal	PwC Legal advised Arbonics on launching a technology-based platform for carbon systems and ecosystems that aims to simplify and facilitate the functioning of the voluntary carbon market.	N/A	Estonia
5-Oct	Cobalt	Cobalt advised 3Commas on its USD 37 million Series B funding round led by Target Global and including Alameda Research, Jump Capital, and Dmitry Tokarev.	USD 37 million	Estonia
11-Oct	Sorainen	Sorainen advised Estonian ready-mix concrete producer Betooneimeister on the sale of a majority stake to German building materials group Schwenk.	N/A	Estonia
11-Oct	TGS Baltic	TGS Baltic successfully represented KredEx before Estonia's Supreme Court in a dispute regarding COVID-19 pandemic-related extraordinary loans.	N/A	Estonia
12-Oct	Sorainen	Sorainen advised Hobevara on its acquisition of a 90% stake in Shnelli Arimaja from Arealis Holding.	N/A	Estonia
21-Sep	Sorainen	Sorainen advised Estonia's Fontes Palgakonsultatsioonid on its acquisition of the remuneration system development and remuneration survey business in Latvia and Lithuania from Fontes Vadibas Konsultācijas.	N/A	Estonia; Latvia; Lithuania
28-Sep	Ellex	Ellex advised Bigbank on its EUR 20 million issuance of subordinated bonds.	EUR 20 million	Estonia; Latvia; Lithuania
26-Sep	Kyriakides Georgopoulos	Kyriakides Georgopoulos advised the Quest Group on its acquisition of G.E. Dimitriou through a court-ratified rehabilitation agreement contemplating a EUR 5 million participation of Athex-listed Quest Holdings in a share capital increase of the target company.	N/A	Greece
4-Oct	Bernitsas; Kirkland & Ellis; Linklaters	Bernitsas Law, working with Linklaters, advised GIC on a strategic partnership with the Sani/Ikos Group. Kirkland & Ellis reportedly advised the Sani/Ikos Group.	N/A	Greece
11-Oct	Watson Farley & Williams; Zepos & Yannopoulos	Zepos & Yannopoulos advised Club Med SAS on the EUR 70 million sale and leaseback transaction for the Gregolimano Village resort on Evia with Hova Hospitality, acting on behalf of Primonial REIM France. Watson Farley & Williams advised Hova.	EUR 70 million	Greece
14-Oct	Kyriakides Georgopoulos	Kyriakides Georgopoulos advised LDA Capital on its EUR 20 million investment in Proodeftiki ATE.	EUR 20 million	Greece
22-Sep	Ban, S. Szabo & Partners	Ban, S. Szabo, Rausch & Partners advised Focus Ventures and Hiventures on their investment in Contineest Technologies.	N/A	Hungary
30-Sep	Moore Legal Kovacs; Szabo Kelemen & Partners Andersen Attorneys	Andersen Legal advised Solar Markt on a long-term strategic agreement with investor Hiventures. Moore Legal Kovacs advised Hiventures.	HUF 4.5 billion	Hungary
16-Sep	Cobalt	Cobalt successfully represented Martins Jansons before the European Court of Human Rights in a case regarding his arbitrary eviction during a legal dispute over apartment tenancy.	N/A	Latvia

Date Covered	Firms Involved	Deal/Litigation	Value	Country
27-Sep	Cobalt	Cobalt successfully represented Latvian news magazine Ir before Latvia's Supreme Court in defamation proceedings.	N/A	Latvia
29-Sep	Ellex	Ellex provided pro bono legal services for the production of the 2022 documentary film Sisters in Longing, directed by Elita Klavina.	N/A	Latvia
5-Oct	Cobalt	Cobalt successfully represented the Baltic Center for Investigative Journalism Re:Baltica in a defamation dispute related to its 2019 article "Mega-donor to pro-Russian party benefits from Magnitsky and Azerbaijani laundromats."	N/A	Latvia
5-Oct	Sorainen	Sorainen advised Gren Latvija on its acquisition of Bioinvest. Solo practitioner Justine Haka reportedly advised the sellers.	N/A	Latvia
10-Oct	Ellex; Sorainen	Sorainen advised Mantinga on its acquisition of Fresh Food Production from Orkla Latvija. Ellex advised the seller.	N/A	Latvia
26-Sep	Norton Rose Fulbright; Orrick Herrington & Sutcliffe; Sorainen	Sorainen, working with Norton Rose Fulbright, advised Oxlylabs on its acquisition of the Webshare Software Company. Orrick Herrington & Sutcliffe reportedly advised the seller.	N/A	Lithuania
16-Sep	Dentons; Gide Loyrette Nouel	Dentons advised the International Chemical Investors Group on its acquisition of the compounds business of the Benvic Group. Gide Loyrette Nouel advised the PVC Europe Group on the sale.	N/A	Poland
19-Sep	Greenberg Traurig; WKB Wiercinski Kwiecinski Baehr	WKB Wiercinski, Kwiecinski, Baehr advised the Neo Energy Group on the sale of 100% of its shares in Evisa Lebork to PAK-Polska Czysta Energia, of the Polsat Group. Greenberg Traurig advised PAK-Polska Czysta Energia.	N/A	Poland
19-Sep	Clifford Chance; Dentons	Clifford Chance advised Prologis on its EUR 1.585 billion acquisition of Crossbay's urban logistics portfolio from Crossbay and Mark. Dentons advised the sellers.	EUR 1.585 billion	Poland
19-Sep	DLA Piper; Greenberg Traurig	Greenberg Traurig advised the Trigea Real Estate Fund on its acquisition of a logistics park near Poland's Tricity. DLA Piper reportedly advised the seller.	N/A	Poland
19-Sep	Kunert, Koszuszko, Sanak; SSW Pragmatic Solutions; Taylor Wessing; Wardynski & Partners	Wardynski & Partners advised Ingka Centers on the sale of the Centrum Franowo shopping center in Poznan to Opal CF. SSW Pragmatic Solutions advised mBank on financing the deal. Taylor Wessing advised Opal CF on the financing. KKS Legal reportedly advised Opal CF on the acquisition transaction.	N/A	Poland
20-Sep	Domanski Zakrzewski Palinka; MFW Fialek	MFW Fialek advised Tutore Poland on its acquisition of a 51% stake in LangMedia. Domanski, Zakrzewski, Palinka advised the sellers, Podobneo.	N/A	Poland
21-Sep	MFW Fialek; NGL Legal	MFW Fialek advised Orkla on the acquisition of shares in the Da Grasso pizzeria chain. NGL Legal advised sellers Karolina Rozwandowicz and Magdalena Pirog.	N/A	Poland
22-Sep	Norton Rose Fulbright	Norton Rose Fulbright advised Panattoni Europe on the construction of a Tychy production facility for Hager.	N/A	Poland
22-Sep	Gessel; Kochanski & Partners	Kochanski & Partners advised Klima Energy on leading a PLN 70 million investment round into SunRoof. Gessel advised SunRoof.	PLN 70 million	Poland
22-Sep	Balicki Czekanski Gryglewski Lewczuk; Cassels Brock & Blackwell; Deloitte Legal; Kieszkowska Rutkowska Kolasinski	Balicki Czekanski Gryglewski Lewczuk and KRK Kieszkowska Rutkowska Kolasinski, working with Cassels Brock & Blackwell, advised Ramm Pharma on the acquisition of HemPoland from The Green Organic Dutchman Holdings. Deloitte Legal advised the seller.	N/A	Poland
23-Sep	SSK&W	SSK&W Stoklosa Syp & Wspolnicy advised CofounderZone and several business angels on their latest investment in Mentorist.	N/A	Poland
23-Sep	Dentons; Gorzelnik Nentwig Ziebinski	Gorzelnik Nentwig Ziebinski advised Equinor Group company Wento on its sale of a 28-megawatt solar photovoltaics portfolio to Modus Asset Management. Dentons advised the buyer.	N/A	Poland
26-Sep	Gessel; Kondracki Celej	Gessel advised BNP Paribas Bank Polska on its capital investment in Autenti. Kondracki Celej reportedly advised Autenti on the deal.	N/A	Poland
26-Sep	CMS; Dentons	CMS advised the Saint-Gobain Group on the conclusion of a 15-year virtual power purchase agreement for the acquisition of renewable energy from Tion Renewables' onshore wind farms in Poland. Dentons advised Tion Renewables.	N/A	Poland

Date Covered	Firms Involved	Deal/Litigation	Value	Country
28-Sep	DWF; Hogan Lovells	DWF advised NKT consortium's Tele-Fonika Kable and DEME on a reservation contract for the design, supply, and installation of the inter-array, offshore, and onshore export cables for the Baltic Power offshore wind farm. Reportedly, Hogan Lovells' German office advised Baltic Power.	N/A	Poland
28-Sep	PwC Legal; WKB Wiercinski Kwiecinski Baehr	WKB Wiercinski Kwiecinski Baehr advised the shareholders of Health Labs Care on its sale to Medvic, a company from the USP Group. PwC Legal advised the USP Group on the acquisition.	N/A	Poland
29-Sep	Rymarz Zdort	Rymarz Zdort advised Polskie Gornictwo Naftowe i Gazownictwo on a number of gas sales agreements with Equinor for natural gas from the Norwegian continental shelf to be delivered to Poland via the Baltic Pipe gas pipeline, through Denmark.	N/A	Poland
30-Sep	B2RLaw	B2RLaw became the official legal advisor and partner to the Polish Paddle Tennis Federation.	N/A	Poland
4-Oct	Nikiel Wojcik Noworyta	Nikiel Wojcik Noworyta advised the SaarGummi Group on the development of its first factory in Poland.	N/A	Poland
5-Oct	Kochanski & Partners	Kochanski & Partners advised Polish gas transmission pipeline operator Gaz-System on the construction and related agreements for the Baltic Pipe project with Danish operator Energinet.	N/A	Poland
5-Oct	Deloitte Legal; Rymarz Zdort	Rymarz Zdort advised the Inelo Group on the acquisition of a majority stake in FireTMS. Deloitte Legal advised the FireTMS shareholders.	N/A	Poland
6-Oct	Crido Legal	Crido Legal advised Saker on its joint venture with the BTS Group's Slovak and Polish companies to build an electric vehicle battery recycling plant in Poland.	N/A	Poland
6-Oct	Gorzelnik Nentwig Ziebinski	Gorzelnik Nentwig Ziebinski advised Mostostal Warszawa on its successful bid, as part of a consortium, in the tender organized by PGE Energia Odnawialna for the approximately PLN 1.12 billion modernization of the Porabka-Zar pumped storage power plant.	PLN 1.12 billion	Poland
7-Oct	Greenberg Traurig	Greenberg Traurig advised Ekstraklasa on the sale of media rights for the 2023/2024 through 2026/2027 seasons of the Polish premier football league to TV broadcaster Canal+ Polska.	N/A	Poland
7-Oct	Norton Rose Fulbright; Oles, Rysz, Sarkowicz	Norton Rose Fulbright advised Bank Polska Kasa Opieki on its financing for MP Inwestors. Oles, Rysz, Sarkowicz advised the borrower.	N/A	Poland
10-Oct	SSK&W	SSK&W Stoklosa Syp & Wspolnicy advised venture capital funds Satus VC and CofounderZone and several business angels on their co-investment in food waste prevention platform Foodsii.	N/A	Poland
10-Oct	Dentons; Greenberg Traurig	Greenberg Traurig advised Generali Real Estate on the acquisition of undeveloped plots located in Skawina, near Krakow, and the development management agreement with MDC2. Dentons advised MDC2 on the deal.	N/A	Poland
11-Oct	Soltysinski Kawecki & Szlezak	Soltysinski Kawecki & Szlezak advised Ignitis Renewables on its acquisition of the Silesia 2 wind farm with a capacity of up to 137 megawatts.	N/A	Poland
11-Oct	Baker McKenzie; CMS	Baker McKenzie advised Pelion Group subsidiary Polska Grupa Farmaceutyczna on the establishment of its bond issuance program and a PLN 130 million issuance of secured bonds. CMS advised organizer, underwriter, and offering agent Haitong Bank on the issuance.	PLN 130 million	Poland
12-Oct	Baker McKenzie; Clifford Chance	Clifford Chance advised Giza Polish Ventures on its sale of a majority stake in Audioteka to Grupa Wirtualna Polska. Baker McKenzie advised the buyer.	N/A	Poland
12-Oct	Gessel; Moskwa Jarmul Haladyj i Wspolnicy	Gessel advised Eco Classic on the acquisition of shares in I am Poznan from Lebanon-based Sakr Holding. Moskwa Jarmul Haladyj advised Sakr Holding on the sale.	N/A	Poland
13-Oct	Gessel	Gessel advised Zielona-Energia.com Partners Michal Klimczyk and Lukasz Fonfara on the sale of shares in Zielona-Energia.com Logistics to EDP Energia Polska.	N/A	Poland
13-Oct	DLA Piper; Norton Rose Fulbright	Norton Rose Fulbright advised the Accolade Group on its land acquisition and development of two logistics parks in Poland – one in Zielona Gora and one in Pila – from Panattoni Europe. DLA Piper reportedly advised Panattoni Europe.	N/A	Poland
13-Oct	White & Case	White & Case advised mBank on updating the up to PLN 1 billion bond issue program of Dino Polska and a bond issuance under this program of up to PLN 170 million.	PLN 170 million	Poland

Date Covered	Firms Involved	Deal/Litigation	Value	Country
13-Oct	Kochanski & Partners; KPMG Legal	Kochanski & Partners advised Savills on its acquisition of Knight Frank's commercial property and asset management team. KPMG reportedly advised the seller.	N/A	Poland
14-Oct	White & Case	White & Case advised South Korean companies Hanwha Defense and Korea Aerospace Industries on two Polish defense contracts with the Ministry of National Defense of Poland, for the supply of K9 self-propelled howitzers and FA-50 aircraft, respectively.	N/A	Poland
14-Oct	Clifford Chance; WKB Wiercinski Kwiecinski Baehr; Wolf Theiss	Wolf Theiss advised Axpo Polska on two wind power purchase agreements with the Energix Group. Clifford Chance and WKB Wiercinski, Kwiecinski, Baehr advised the Energix Group on the deal.	N/A	Poland
14-Oct	Ergy; Norton Rose Fulbright	Norton Rose Fulbright advised Bank Ochrony Srodowiska, Powszechna Kasa Oszczednosci Bank Polski, and Bank Polska Kasa Opieki on the PLN 120 million financing increase for the 68-megawatt Lancut wind farm located in Poland and operated by Lewandpol Lancut. Ergy advised Lewandpol Lancut on the deal.	PLN 120 million	Poland
6-Oct	CMS; Zivkovic Samardzic	Zivkovic Samardzic advised the Arriva Group on the divestment of its Arriva Litas business in Serbia to Mutares. CMS advised Mutares on its acquisition of the Danish, Polish, and Serbian business activities of the Arriva Group.	N/A	Poland; Serbia
19-Sep	Suciu Popa	Suciu Popa successfully represented Iris-Aly Explorer in a dispute related to the concession of public property goods.	N/A	Romania
26-Sep	RTPR	Radu Taracila Padurari Retevoescu advised the European Bank for Reconstruction and Development on its EUR 25 million loan granted to Banca Transilvania.	EUR 25 million	Romania
3-Oct	Zamfirescu Racoti Vasile & Partners	Zamfirescu Racoti Vasile & Partners successfully represented OMV Petrom in ICC arbitration proceedings regarding a dispute with a contractor.	N/A	Romania
4-Oct	Glodeanu & Associates	Glodeanu & Partners advised the INVL Renewable Energy Fund I on its acquisition of a 102.7-megawatt portfolio of solar projects in Romania.	N/A	Romania
5-Oct	CMS; RTPR	Radu Taracila Padurari Retevoescu advised Qualitance founders Radu Constantinescu and Ioan Iacob on the sale of the company to Alten. CMS reportedly advised Alten on the acquisition.	N/A	Romania
6-Oct	PwC Legal (D&B David and Baias); Wolf Theiss	Wolf Theiss advised Dacia Plant shareholders Calin Ioan Ianta and Radu Ionescu-Heroiu on the sale of a majority stake in the company to Ceres Pharma. PwC's Romanian affiliate D&B David and Baias advised Ceres Pharma on the deal.	N/A	Romania
10-Oct	Filip & Company	Filip & Company advised Alesonor Real Estate Development on its partnership with Pescariu Sports & Spa for the development of the sports center and leisure areas within Alesonor's Amber Forest project in Romania.	N/A	Romania
10-Oct	RTPR; Schoenherr	Radu Taracila Padurari Retevoescu advised Integral Venture Partners on its investment in Medima Health. Schoenherr reportedly advised Medima Health majority shareholder Morphosis Capital Fund I.	N/A	Romania
11-Oct	Stoica & Associates	Stoica & Asociatii successfully represented Aqua Carpatica before the Romanian High Court of Cassation and Justice in a trademark litigation dispute.	N/A	Romania
12-Oct	Filip & Company	Filip & Company advised Promateris shareholders Florin Pogonaru and Tudor Georgescu on the sale of a 24% stake in their company to Paval Holding.	N/A	Romania
12-Oct	PwC Legal (D&B David and Baias)	PwC Legal Romanian affiliate D&B David and Baias advised DataArt on its acquisition of Lola Tech.	N/A	Romania
13-Oct	Filip & Company	Filip & Company successfully represented Color Smart in securing, under a final court decision rendered in injunction proceedings, the deletion of an Internet post containing defamatory accusations by a competitor.	N/A	Romania
13-Oct	Cytowski & Partners; SLV Legal	Cytowski & Partners advised Earlybird Ventures in its EUR 4.5 million seed financing to Sessions. SLV Legal advised Sessions.	EUR 4.5 million	Romania
14-Oct	Filip & Company; Wolf Theiss	Wolf Theiss, working together with Goodwin Procter and Haynes Boone, advised Emona Capital on its USD 20 million minority investment in Amber Studio. Filip & Company advised Amber.	USD 20 million	Romania
14-Oct	Mitel & Partners; Popovici Nitu Stoica & Asociatii	Popovici Nitu Stoica & Asociatii advised Provita owners Ada and Ovidiu Palea on the sale of a 51% stake in the company to MedLife and the new shareholder agreement. Mitel & Partners advised MedLife on the acquisition.	N/A	Romania

Date Covered	Firms Involved	Deal/Litigation	Value	Country
23-Sep	Advant Beiten; Poellath; Radovanovic Stojanovic & Partners	Radovanovic, Stojanovic & Partners, working with Advant Beiten, advised the shareholders of Hedwell Group Germany on the sale of the Hedwell Group to SAP Fioneer. Reportedly, Germany's Poellath advised SAP Fioneer on the deal.	N/A	Serbia
23-Sep	Zivkovic Samardzic	Zivkovic Samardzic advised both companies on the Titan Cementara Kosjeric merger with its affiliate Stari Silo Company.	N/A	Serbia
11-Oct	NKO Partners; Subotic-Homen & Partners	NKO Partners advised the Dr. Max Group on its acquisition of two pharmacy chains in Serbia: Pancevo-based AU Kod Suncanog Sata and Veliko Gradiste-based AU Selic. Reportedly, Subotic-Homen & Partners and solo practitioner Slobodan Miljkovic advised the sellers.	N/A	Serbia
20-Sep	Taylor Wessing	Taylor Wessing advised VavaCars on its USD 37 million series C funding round.	USD 37 million	Turkiye
21-Sep	NSN Law Firm; Paksoy	Paksoy advised Lesjofors on its acquisition of all shares in Telform. The NSN law firm advised the seller.	N/A	Turkiye
22-Sep	Gide Loyrette Nouel (Ozdirekcan Dundar Senocak)	Gide's Turkish affiliate Ozdirekcan Dundar Senocak advised Serafin Group-backed Night Train Media on its acquisition of Korean media group CJ ENM's majority stake in Eccho Rights.	N/A	Turkiye
23-Sep	Paksoy	Paksoy advised the European Bank for Reconstruction and Development on a EUR 50 million loan to Yapi Kredi Leasing.	EUR 50 million	Turkiye
26-Sep	Schindhelm (GEMS Legal)	GEMS Legal Schindhelm advised TUV Austria Holding's subsidiary TUV Austria Turk on its acquisition of a 51% stake in the Mavi Akademi Group.	N/A	Turkiye
27-Sep	Gungor Law; Keco Legal; Urer Law	Keco Legal advised Getmobil on its TRY 27 million seed funding round with a valuation of TRY 180 million. Urer Law advised the investors. Gungor Law reportedly advised Getmobil as well.	TRY 27 million	Turkiye
28-Sep	Bener Law Office; Moral, Kinikoglu, Pamukkale, Kokenek	Moral, Kinikoglu, Pamukkale, Kokenek advised Softline Holding on its acquisition of 80% of shares in Makronet Bilgi Teknolojileri from Gucluy Tugay. Bener advised the seller.	N/A	Turkiye
7-Oct	Caliskan Okkan Toker	Caliskan Okkan Toker advised Esas Private Equity on its EUR 11 million investment in Oplog.	EUR 11 million	Turkiye
10-Oct	Dentons (BASEAK); Osborne Clarke	Dentons' Turkish affiliate Balcioglu Selcuk Ardiyok Keki Attorney Partnership advised Armut and its shareholders on the merger with ProntoPro. Osborne Clarke's Milan office reportedly advised ProntoPro on the deal.	N/A	Turkiye
14-Oct	Paksoy	Paksoy advised packaging and paper company Mondi Corrugated BV on the merger of its Borsa Istanbul-listed company Mondi Olmuksan into Mondi Tire Kutsan, a company belonging to the same group.	N/A	Turkiye
28-Sep	Everlegal	Everlegal announced its cooperation with the Danish Refugee Council to implement an online legal support platform aimed at helping Ukrainians around the world.	N/A	Ukraine
6-Oct	Integrites	Integrites successfully represented Epiroc in a safeguard investigation in Ukraine regarding the company's imports of three-cone drill bits into the country.	N/A	Ukraine
6-Oct	Avellum	Avellum advised all parties involved in Roosh's acquisition of a minority stake in Neurons Lab.	N/A	Ukraine
10-Oct	Asters; Quinn Emanuel Urquhart & Sullivan	Asters, working with Quinn Emanuel Urquhart & Sullivan, successfully represented the interests of PrivatBank in two parallel arbitration proceedings before the London Court of International Arbitration regarding the enforcement of eurobonds issued in 2010 and 2013.	N/A	Ukraine



Deals and Cases:

- Full information available at: www.ccelegalmatters.com
- Period Covered: September 16, 2023 - October 15, 2023

Did We Miss Something?

We're not perfect; we admit it. If something slipped past us, and if your firm has a deal, hire, promotion, or other piece of news you think we should cover, let us know. Write to us at: press@ceelm.com

THE DEBRIEF: NOVEMBER 2023

In **The Debrief**, our Practice Leaders across CEE share updates on recent and upcoming legislation, consider the impact of recent court decisions, showcase landmark projects, and keep our readers apprised of the latest developments impacting their respective practice areas.

This House – Implemented Legislation

The Bulgarian energy sector, according to CMS Sofia Managing Partner Kostadin Sirleshtov, continues its dynamic development, with changes to the Bulgarian energy legislation having been enacted on October 13, 2023. “They aim to introduce more predictability on the grid connection procedure of renewable energy power plants,” Sirleshtov notes.

“Producers are obliged to pay a guarantee in the form of a deposit or bank guarantee in the amount of BGN 50,000 per megawatt of projected installed capacity to secure its grid connection,” Sirleshtov continues. “Thus, the legislator aims to terminate all speculative renewable energy projects which in practice block grid connection capacity without being developed and implemented.” In addition, he says, “Bulgaria puts forward a substantial administrative relief since the easement rights for the construction or re-powering of renewable projects shall be granted by the power of law. The wind projects shall benefit from these changes since developers are no longer required to secure easement rights by virtue of individual agreements with owners of the affected land plots.”

“Furthermore, Bulgaria introduced a so-called ‘energy contribution’ for the import and transit of Russian natural gas in the amount of BGN 20 per megawatt hour, with LNG explicitly left outside the scope of that energy contribution,” Sirleshtov adds.

As for Poland’s implemented legislation, Wolf Theiss Associate Paulina Urbanska highlights that “October 7, 2023, was the deadline for introducing remote work,” as specified in the December 1, 2022 amendment to the *Labor Code*. “By that date, employers had to revise rules and regulations on the use of telework and institute new guidelines for remote work,” she says.

According to Urbanska, “Although telework and re-

mote work might seem similar, they have very distinct features.” For instance, she says, while both are performed remotely, telework can be performed simply outside the workplace, whereas remote work can be done wholly or partially at a location designated by the employee and agreed with the employer in each case. “It’s critical to note that telework was not automatically replaced by remote work by law,” she notes. “Not adapting internal regulations to the amendment can have dual consequences,” Urbanska adds. “Failure to introduce remote work regulations while simultaneously prohibiting the use of existing telework regulations could result in dissatisfaction or even prompt employees previously engaged in the form of telework to terminate their employment contracts.” In addition, she says, “during an inspection, the State Labor Inspectorate may point out inconsistencies of internal regulations with the *Labor Code*,” and “in cases of flagrant violations, the employer may even face a financial penalty.”

The Verdict

Sirleshtov highlights that while recently implemented energy legislation “introduced a simplified procedure for the construction of agrivoltaics in agricultural land without a change of land designation,” still, regarding the agrivoltaic projects, there is uncertainty since “the President of Bulgaria requested before the Constitutional Court to declare as unconstitutional the development of these projects.”

Done Deal

Sirleshtov also highlights the recent M&A transaction on the renewables market in Bulgaria: “Turkey’s largest construction company ENKA acquired a 40-megawatt photovoltaic project worth EUR 8.4 million,” adding that the Bulgarian energy market continues to be vibrant.



Kostadin Sirleshtov,
Managing Partner,
CMS Sofia



Paulina Urbanska,
Associate,
Wolf Theiss

ON THE MOVE: NEW HOMES AND FRIENDS

Czech Republic: VIDD Opens Doors in Prague

By Radu Neag (September 25, 2023)

Former Briza & Trubac Partner Ondrej Hampl – together with former Rohlik Group Chief Legal Officer Ivo Hartmann and Attorneys-at-Law Jakub Kucera of Briza & Trubac, Ladislav Murin of Squire Patton Boggs, and Lukas Novopacky of Badokh – has launched the VIDD independent boutique law firm in Prague.

With a team that currently includes 12 people, Hampl holds a Partner position while Hartmann, Kucera, Murin, and Novopacky will be Senior Associates. The new firm will focus on M&A, distressed M&A, private equity, financial restructuring and insolvency, litigation, banking & finance, IT/IP, energy law, and real estate.

Hampl, who focuses on M&A, distressed M&A, private equity, real estate, and banking & finance, spent the past two years as a Partner with Briza & Trubac. Before that, he spent seven and a half years with Badokh between 2014 and 2021, the last four of which as a Partner. He started his career with White & Case in 2007. ■

Romania: Suciu Popa Enters Strategic Partnership with Vulpoi & Toader Management

By Radu Neag (October 9, 2023)

Bucharest's Suciu Popa has entered a strategic partnership with accounting and financial consultancy Vulpoi & Toader Management.

According to Suciu Popa, V&TM is the largest Romanian company offering one-stop-shop accounting and business consulting services (by Romanian Chamber of Certified and Chartered Accountants data).

“We are excited to announce this important collaboration that is set to send shockwaves in the accounting, business consulting, and legal fields in Romania,” the law firm stated in an announcement featuring V&TM Managing Partners Marcel Vulpoi and Georgiana Toader and Suciu Popa Managing Partners Miruna Suciu and Luminita Popa. “Our combined strengths, extensive expertise, and unwavering commitment to client success will empower us to deliver outstanding legal solutions, drive innovation, and shape the future of the legal and business consulting industry.” ■

Poland: Ozog Tomczykowski Rebrands to Tomczykowski Tomczykowska

By Andrija Djonovic (October 13, 2023)

The Polish Ozog Tomczykowski law firm has changed its name to Tomczykowski Tomczykowska, with Irena Ozog stepping down and Anna Turska-Tomczykowska rising to the rank of Managing Partner. Pawel Tomczykowski will continue on as Managing Partner as well.

Anna Turska-Tomczykowska first joined the firm in 2015, as a Managing Associate, and made Partner in 2020. Before that, she spent almost five years as a Tax Advisor with DZP and, earlier, two years with PwC as a Tax Consultant.

“For 20 years, we have been providing comprehensive advice to both corporate and individual clients in various tax and legal areas. [By changing our name and logo] we symbolically close the succession of the law firm and emphasize our relationship with the world of large family businesses,” Tomczykowski Tomczykowska announced. ■

PARTNER APPOINTMENTS

Date	Name	Practice(s)	Firm	Country
20-Sep	Zeno Grabmayr	Banking/Finance	Wolf Theiss	Austria
20-Sep	Stefan Wartinger	Competition	Wolf Theiss	Austria
5-Oct	Zbysek Kordac	Litigation/Disputes; Insolvency/Restructuring	Weinhold Legal	Czech Republic
5-Oct	Anna Bartunkova	Labor; Litigation/Disputes	Weinhold Legal	Czech Republic
20-Sep	Maciej Olszewski	Corporate/M&A	Wolf Theiss	Poland
20-Sep	Adelina Iftime-Blagean	Labor; TMT/IP	Wolf Theiss	Romania
20-Sep	Aleksandar Ristic	Corporate/M&A; Litigation/Disputes	Wolf Theiss	Serbia
20-Sep	Bruno Stefanik	Corporate/M&A	Wolf Theiss	Slovakia

PARTNER MOVES

Date	Name	Practice(s)	Moving From	Moving To	Country
9-Oct	Sava Savov	Corporate/M&A; Private Equity	Goodwin Procter	Kinstellar	Bulgaria
25-Sep	Ondrej Hampl	Corporate/M&A; Private Equity; Real Estate	Briza & Trubac	VIDD	Czech Republic
22-Sep	Klaudia Krolak	Corporate/M&A; Private Equity	Linklaters	Greenberg Traurig	Poland
22-Sep	Joanna Bernat	Energy/Natural Resources; Infrastructure/PPP/Public Procurement	Banasik Wozniak i Wspolnicy	Crido	Poland
4-Oct	Adam Kowalczyk	Litigation/Disputes	Bird & Bird	Allen & Overy	Poland
18-Sep	Mariana Signeanu	Banking/Finance; Real Estate	Biris Goran	Bulboaca & Asociatii	Romania
10-Oct	Ioana Knoll-Tudor	Litigation/Disputes	Jeanetet Global	Addleshaw Goddard	Romania
5-Oct	Igor Zivkovski	Corporate/M&A; Private Equity	Zivkovic Samardzic	Schoenherr (Moravcevic, Vojnovic i Partneri)	Serbia
5-Oct	Anzhelika Livitska	Energy/Natural Resources	Asters	Arzinger	Ukraine

IN-HOUSE MOVES AND APPOINTMENTS

Date	Name	Moving From	Company/Firm	Country
19-Sep	Nihat Aral	Baker McKenzie (Esin Attorney Partnership)	Alcon	Turkiye

OTHER APPOINTMENTS

Date	Name	Firm	Appointed To	Country
20-Sep	Tomas Skoumal	Baker McKenzie Prague	Managing Partner	Czech Republic
13-Oct	Anna Turska-Tomczykowska	Tomczykowski Tomczykowska	Managing Partner	Poland

THE BUZZ

In **The Buzz** we check in on experts on the legal industry across CEE for updates about developments of significance. Because the interviews are carried out and published on the CEE Legal Matters website on a rolling basis, we've marked the dates on which the interviews were originally published.

A New Era of Corporate Responsibility in Hungary: A Buzz Interview with Zoltan Novak of Taylor Wessing

By Radu Neag (September 29, 2023)



ESG legislation changes in Hungary are reshaping corporate practices and legal counsel roles, according to Taylor Wessing Partner Zoltan Novak. “Green claims” and expanded reporting obligations, even beyond finance, demand precise compliance, and lawyers in Hungary now play a pivotal role in navigating this evolving ESG landscape, ushering in a new era of corporate responsibility.

“ESG legislation that is constantly being developed and introduced at an EU level is the talk of the town,” Novak begins. “The implementation of these changes leads to several interesting aspects that make this a very hot topic in many respects of the law, and how the law is applied for corporations and companies,” he says.

Specifically, Novak highlights “green claims.” Here, he says that “the main aim of the legislation coming from the EU is to devise a framework in which companies can advertise their products. From the perspective of lawyers, this means advice on advertisement law and trade law,” he explains. “In the past couple of decades, the environment-friendliness of products has become a selling point, and this development has now reached the point where it is coming under strict legal regulation.”

When it comes to financial products, Novak says that “the relevant EU legislation has already been introduced for some years. If you are an investment firm setting up a ‘green fund’

– a fund that aims to invest in climate-friendly projects and investments – calling it a green fund has already been subject to serious scrutiny at the EU level.” What is about to change, is that such “green claim regulations will extend beyond the financial sector, meaning that companies marketing standard consumer products, in or outside the store, will also be subject to such regulations. A relevant directive has already been proposed by the EU, which will be adopted in the course of this or next year,” Novak divulges.

The legislation, according to Novak, defines “when products can be marketed as being environmentally friendly. EU legislation defines in a closed list which products can be considered climate-friendly. One of the categories is ‘climate mitigation,’ and a product can only be framed as such if it uses renewable energy or contributes to so-called ‘carbon sinks’ – a climate science term,” underscoring how “climate science has entered the legal discipline in a very impressive manner.”

Also on the ESG front, there is another important development dealing with corporate reporting obligations. According to Novak, publicly listed corporations already have to “include in the annual report a detailed account of what they have done to mitigate climate change and increase sustainability. But right now, this obligation is being extended, and a new directive will have to be implemented by member states by next year. It will still not apply to all undertakings — only to large ones,” he explains. “Still, this will be a major expansion of corporate reporting obligations — it will be much broader than before.” In conclusion, reflecting on all of the updates, Novak says that the “legislation now puts such a heavy burden that lawyers with a deep understanding of sustainability matters will need to be involved in the decisions of companies, dealing with ESG issues — a new type of lawyer is emerging.” ■

Slovakia's Contentious Autumn: A Buzz Interview with Peter Kubina of Dentons

By Andrija Djonovic (October 5, 2023)

The primary focus for most in Slovakia right now – and the talk of the town this season – is the upcoming elections. According to Dentons Bratislava Managing Partner Peter Kubina, the elections have led to the markets going into somewhat of a maintenance mode, yet things stand to pick up the pace again as autumn progresses, with litigious activities taking center stage.

“The legal market in Slovakia has been primarily focused on maintenance and ongoing work in the first half of 2023, due to the impending elections,” Kubina begins. “The summer months typically bring a lull but, now that autumn is here, we’re seeing renewed activity. The banking and finance sector, for example, has seen more maintenance-related activities, and more interesting developments are on the horizon.”

Specifically, Kubina mentions that while the banking and finance sector “hasn’t seen many new financings,” there have been “numerous amendments, refinancing, and restructuring activities. Despite some challenges, this year is faring better in terms of overall activities compared to the previous year,” he outlines, citing a few examples of interesting M&A activity areas. “One major regional transaction is taking place in the energy sector right now, with Slovakia at its epicenter, and there are a few interesting regional developments that hold a lot of promise,” he says.

Furthermore, Kubina continues by mentioning that “there has been a reorganization of courts, particularly impacting Bratislava. This led to disruptions in court hearings during May and June, but things have since settled down,” he explains. “We have resumed our activities, and several high-profile disputes, such as those concerning the national football stadium and the Slovak public online portal, are still pending.”

Specifically, Kubina mentions that “criminal litigation has thrived as a market” but that the upcoming elections are expected to “influence its trajectory. A noteworthy case is the prosecution of former President Andrej Kiska, involving tax-related allegations that have been subject to wide political abuse. The trial has been ongoing since late June, with four sessions held already and the final one planned for October 11, 2023. The political turmoil surrounding the elections adds a layer of complexity to such cases,” Kubina stresses.

Finally, he reports that the “legal community is watching the elections with a mix of hope and fear. The outcome of the elections will determine the geopolitical course and influence investments, especially larger projects,” he says. “We’re actively involved in criminal litigation, and the elections will have a significant bearing on whether such cases continue, as they are intertwined with the high-level political management of the country,” Kubina adds in conclusion. “In the meantime, the result of the elections may bring a degree of uncertainty into the rule of law in Slovakia and its geopolitical orientation.” ■



There has been a reorganization of courts, particularly impacting Bratislava. This led to disruptions in court hearings during May and June, but things have since settled down.

Austria Dons Its New Corporate Cap: A Buzz Interview with Phillip Dubsky of Herbst Kinsky

By Andrija Djonovic (October 13, 2023)



The legal landscape for businesses in Austria keeps evolving, primarily driven by a new type of company called Flexcap, which offers improved tax treatment for employees and streamlined share transfers within companies, contributing to increased flexibility and opportunities for entrepreneurs, according to Herbst Kinsky Partner Phillip Dubsky.

“M&A activity in Austria has experienced some fluctuations at the beginning of the year, primarily due to rising interest rates,” Dubsky begins. With financing becoming more expensive, companies are opting for less leverage. “However, we’ve seen a silver lining in the overall M&A market, which has been showing signs of recovery. Good clients and increased work opportunities are driving this trend, despite the financial challenges,” he says.

Focusing more on the legislative updates that target the overall business sector in Austria, Dubsky reports an interesting new company form – the Flexcap. “The Flexcap legislation is an exciting development for new businesses,” he says. “Starting on November 1, 2023, companies can be established for just EUR 10,000, down from EUR 35,000, under certain conditions. These conditions, such as the number of employees, make it easier for entrepreneurs to kickstart their ventures,” he explains. “This move is aimed at increasing flexibility and bolstering the start-up and early-stage ecosystem in Austria.”

Furthermore, there are additional benefits for employees. “There have been significant improvements in the tax treatment of stock options for employees,” Dubsky continues. “Previously, employees could face income tax issues, potentially having to pay income tax based on the stock options they would get.” According to him, under the new rules, this problem disappears. “Stock options are only taxed upon exit, with 75% of the exit value treated as capital gains and taxed at 27.5%. The remaining 25% is taxed as regular income.”

Moreover, the Flexcap approach also seeks to make it easier for shares to be transferred within the company itself. “Under the existing regime, transferring shares within a company required a notarial deed, which is often cumbersome,” Dubsky says. “With the new law, this requirement is eliminated, making it easier and more efficient for companies to manage their shares. It streamlines processes and reduces administrative burdens,” he posits.

Finally, Dubsky reports that, on the whole, while the Austrian stock market has been challenged – there are signs of potential change. “An Austrian semiconductor company listed in Switzerland announced plans for refinancing its capital structure, contemplating an EUR 800 million offering to existing investors as well as additional financing,” he reports. “This development aligns with what I mentioned earlier: capital market and M&A transactions often arise from companies’ refinancing needs, particularly in sectors with highly leveraged players. Still, we remain hopeful that the recovery trends will pick up and things continue with getting back to normal,” Dubsky concludes. ■



Starting on November 1, 2023, companies can be established for just EUR 10,000, down from EUR 35,000, under certain conditions. These conditions, such as the number of employees, make it easier for entrepreneurs to kickstart their ventures. This move is aimed at increasing flexibility and bolstering the start-up and early-stage ecosystem in Austria.

Moldova Shows Flexibility and Builds Resilience: A Buzz Interview with Sorin Dolea of Dolea & Co

By Andrija Djonovic (October 13, 2023)

Amendments to the law on gas, the corporate legal framework, as well as proposed amendments to the tax code all indicate the existence of a vibrant legislative landscape in Moldova, according to Dolea & Co Partner Sorin Dolea. To top it all off, Moldova also recently registered a financial market milestone: its first corporate bond transaction.

“The recent amendments in Moldova’s gas law are intriguing from two perspectives,” Dolea begins. “Firstly, they encourage the storage of natural gas, which is a strategic move towards energy security. However, there are some controversial provisions, such as the ‘exit fee’ which discourages competition in the gas supply market. Such provisions have sparked debates within the industry,” he explains.

Moving on to specific corporate law matters, Dolea shares more insights into the amendments regarding joint-stock companies and limited liability companies. “The amendments to the law on joint-stock companies and LLCs aim to establish new rules governing relationships between shareholders,” he says. “One noteworthy addition is the specific provision allowing arbitration agreements to be concluded between shareholders, promoting arbitration as a means of resolving corporate disputes. These changes are significant for the business community seeking efficient dispute resolution mechanisms,” he explains. Moreover, he stresses that “the new law on LLCs brings fundamental changes, especially with respect to share structures and distribution of dividends.”

In addition, Dolea also mentions a set of proposed changes to the tax code. “The new tax code, currently in draft form, represents a shift in the approach of Moldovan legislators towards tax law,” he reports. “While I won’t delve into specific details, these changes are significant and can have wide-ranging implications for individuals and businesses alike.”

Furthermore, Dolea mentions that Moldova recently saw a milestone: its first-ever transaction involving corporate bonds on the Moldova Stock Exchange. “This was a historic moment for Moldova’s financial market,” he says. “This development signals a growing diversification of investment opportunities in the country’s markets.”

Finally, speaking of interesting market shake-ups, Dolea turns his attention to the energy sector. “Moldova is undergoing a major transformation, particularly in the realm of renewable energy,” he says. “Although the market tends to liberalize, Moldova still faces a number of challenges throughout this process. One of them is the current ban on the issuance of gas supply and trading licenses, which keeps any new potential gas suppliers and traders away from Moldova. However, the process of transitioning from Eastern to Western energy sources is irreversible, and this is essential for energy security and sustainability.”

In conclusion, Dolea shares that he feels the Moldovan “business community has shown remarkable resilience and adaptability. While these legal changes would once have been considered ‘force majeure,’ they are becoming part of the new normal.” ■



This was a historic moment for Moldova’s financial market. This development signals a growing diversification of investment opportunities in the country’s markets.

North Macedonia Is Serious About the EU: A Buzz Interview with Jasmina Ilieva Jovanovik of Debarliev, Dameski & Kelesoska

By Radu Neag (October 16, 2023)



North Macedonia continues to align its laws with EU directives while introducing a solidarity tax and a food price freeze – both of which raise concerns, according to Debarliev, Dameski & Kelesoska Partner Jasmina Ilieva Jovanovik.

“One of the most frequent questions and concerns in North Macedonia pertains to the *Law on the Solidarity Tax*, which was enacted on September 25,” Ilieva Jovanovik begins. This law, while resembling *EU Regulation (EU) 2022/1854*, on an emergency intervention to address high energy prices, differs in a significant way, she says. “In the EU version, the extra profit tax applies exclusively to the energy sector. However, in North Macedonia, it encompasses all companies, regardless of their industry, as long as they had over EUR 10 million in income in 2022. The abrupt implementation of this law, retroactively, on the same day it was announced, has raised constitutional and practical challenges for companies.”

Separately, Ilieva Jovanovik reports that “the government’s decision in September to freeze prices for a list of essential food products – as they were in the retail sector on August 1, minus 10% – coupled with restrictions on trading margins between retailers and wholesalers, aims to curb rising food prices.” While this is a public interest measure, she says that it has “generated concerns and uncertainties, especially among clients in the food retail sector. Moreover, a recent change in VAT and customs taxes adds complexity to the situation. The government is reassessing its approach, but clients in this sector are eagerly awaiting clarification,” she adds.

Food and agriculture products – and the related trading practices – are also in the focus these days with a new Law on unfair trading practices in the supply chain of agricultural and food products about to be adopted. Ilieva Jovanovik stresses that this draft law is designed to align with *EU Directive 2019/633 on unfair trading practices in the agricultural and food supply chain*. It targets both retailers and suppliers and seeks to limit certain contract clauses while granting more authority to the Commission for the Protection of Competition,” she explains.

Furthermore, Ilieva Jovanovik says that on the road to alignment with EU regulations, the new *Law on the settlement of banks was adopted recently*. “This law aligns with *Directive 2014/59/EU* and introduces mechanisms for state intervention in troubled banks to enable continuity of their critical financial and economic functions and prevent negative consequences to the financial system. It’s a significant development aimed at protecting consumers, the market, and the overall banking framework,” she says. “While our country’s banks are currently stable, the new law will help mitigate the consequences should any future banking crises arise, ensuring a more robust financial system.”

Finally, Ilieva Jovanovik reports that the “Fitch agency recently rated North Macedonia at BB+, indicating a certain level of creditworthiness. However, what has piqued interest is the inflation report, which has returned to single digits, at 8.3% in August. This is a noteworthy development after a long period of two-digit inflation,” she explains. “The real estate market, on the other hand, has experienced a slowdown due to the national bank’s decision to increase interest rates, making mortgages less affordable. Prices have stabilized but the market is eagerly awaiting new trends,” Ilieva Jovanovik concludes. ■



In the EU version, the extra profit tax applies exclusively to the energy sector. However, in North Macedonia, it encompasses all companies, regardless of their industry, as long as they had over EUR 10 million in income in 2022. The abrupt implementation of this law, retroactively, on the same day it was announced, has raised constitutional and practical challenges for companies.

Serbia Holds Its Breath for Elections and Construction Boom: A Buzz Interview with Ivana Ruzicic of PR Legal

By Andrija Djonovic (October 18, 2023)

With yet another election cycle impacting legislative activity in Serbia, few – but noteworthy – updates warrant attention, according to PR Legal Managing Partner Ivana Ruzicic. Notably, land conversion fees have been eliminated, potentially unlocking vast construction opportunities, while the excise tax framework is being modernized, with a centralized electronic system set to streamline processes.

“Serbia has experienced a period of political turbulence in the past few years, marked by frequent elections – and a new cycle is slotted to culminate very soon, most likely in December,” Ruzicic begins. “This has significantly impacted legislative activities, creating a pause in the passing of new laws and reforms, as political parties shift their focus to campaigning and forming governments.”

Still, there have been interesting legislative updates and Ruzicic continues by highlighting land conversion regulation updates, as one. “The elimination of conversion fees for land ownership is a noteworthy development. Before this change, the process of converting land usage rights to ownership came with substantial fees, discouraging businesses and individuals from participating. This reform opens up opportunities for investors and landowners alike, making approximately 15 million square meters available for construction,” she explains.

“This is expected to boost investments in Serbia and stimulate economic growth,” she goes on to say. However, the new law, which was passed at the beginning of August, still has its full impact to be seen, Ruzicic stresses. “It is anticipated that the law will attract new investors, stimulate construction projects, and promote economic development in the country. The Ministry of Construction is eagerly monitoring its progress to assess its effectiveness,” she says.

Moreover, Ruzicic adds that there have been important changes made to excise tax laws. “The changes in the excise taxes regulatory framework aim to modernize the system through the implementation of a centralized electronic information and communication system,” Ruzicic says. These changes will be introduced gradually, with full implementation expected by 2025. “The new system will simplify submissions and information exchange related to excise warehouses, stamps, and license renewals. Additionally, a new type of control excise stamp with a QR code will be introduced in 2025 to improve tracking and compliance, particularly for cigarette and heated tobacco products,” she explains.

Ruzicic also reports there are more legislative updates in the pipeline and highlights the purported changes to the tobacco regulation framework. “These changes, which will likely not come to pass until the election cycle ends in late December and a government is formed, will address tobacco-related products that haven’t been regulated before.” Furthermore, amendments related to the labeling of tobacco products will also take effect in the near future.

Finally, Ruzicic says that the media laws will likely be on the docket to get updated as well. “These laws are quite important; we expect to see some changes after the elections are over, especially in terms of media registrations, but it remains to be seen whether the government will adopt the remarks of professional associations pertaining to a definition of journalists, and state aid – which is a very sensitive topic in Serbia in its own right.” ■



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The elimination of conversion fees for land ownership is a noteworthy development. Before this change, the process of converting land usage rights to ownership came with substantial fees, discouraging businesses and individuals from participating. This reform opens up opportunities for investors and landowners alike, making approximately 15 million square meters available for construction.



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Three Wins and a Labor Strike in Croatia: A Buzz Interview with Tena Tomek of Marohnic, Tomek & Gjoic

By Andrija Djonovic (October 20, 2023)



Croatia's economic outlook has improved with the eurozone entry, energy market reforms, and new and exciting equity programs and legislative changes, while judiciary labor strikes have challenged the country's courts, according to Marohnic, Tomek & Gjoic Partner Tena Tomek.

"Recently, we've seen a significant boost in Croatia's economic outlook," Tomek begins. "The rating agencies have upgraded our overall outlook from stable to positive, marking the highest investment rating so far. Much of this positive shift can be attributed to Croatia's entry into the eurozone and Schengen Area at the beginning of 2023, which has had a positive effect on our economy," she explains.

Apart from entering the eurozone, Croatia's quick recovery from the pandemic and addressing the energy crisis have been crucial for the overall improvement of the Adriatic country's economic status. "Our energy market is now very active, and we've witnessed a surge in regulatory activities," Tomek continues. "Croatia is aligning with global trends, transitioning from traditional oil and gas to electricity, with a particular emphasis on renewable energy sources. Solar energy has become a major focus, whereas wind energy and biomass held the spotlight earlier," she reports. In terms of regulations, the Croatian energy market underwent "significant structural changes in 2021 with the introduction of the new Electricity Market Act. Subsequently, in July 2023, Croatia finally adopted long-awaited necessary subordinated acts, providing a regulatory framework necessary for further development of energy projects," Tomek adds.

Another notable legislative trend currently taking shape in Croatia relates to the legislative framework for agro-solar projects. "These new regulations aim to facilitate the development of agricultural solar plants, benefiting both the energy and agriculture sectors. Additionally, due to the energy market's dynamics and high prices, we've observed a shift towards

corporate Power Purchase Agreements," Tomek says. "This trend signifies a move towards more market-based energy transactions."

Our energy market is now very active, and we've witnessed a surge in regulatory activities.

On the other hand, Croatia has also seen labor strikes in the judicial sector recently. "Indeed, we faced a substantial labor strike involving all civil servants and employees in the judiciary," Tomek outlines. "This strike paralyzed our courts for two months. Ultimately, after extensive negotiations with the government, union members accepted the government's offer, which included a significant 12% pay raise. The strike was a testament to the pressing need for improvements in the judicial system's efficiency and the welfare of its workers," she says.

Moreover, to improve efficiency and expedite dispute resolution, "two new pieces of legislation have been introduced," Tomek continues. "The first is the Act on Non-Litigious Civil Procedure, a long-awaited development that aims to streamline non-litigious legal procedures. Additionally, measures have been implemented to encourage amicable dispute resolution, reducing the burden on the courts." According to her, these include "mandatory mediation before proceeding to court procedure for damages compensation. Both initiatives are designed to enhance efficiency and accessibility to justice."

Finally, Tomek points to interesting developments in the sphere of private equity and venture capital in Croatia. "This autumn, we've witnessed the launch of two significant programs in collaboration with the European Investment Fund. The first program, in partnership with the Croatian Bank for Reconstruction and Development, involves a EUR 52 million investment program focused on SMEs in Croatia. It also aims to bolster local private equity markets while prioritizing sustainability and the green transition," she explains. "The second program, a collaboration of the EIF and the Croatian Ministry of Regional Development and EU Funds, is an EUR 80 million initiative to support Croatian start-ups and develop the local venture capital scene. With interest rates on the rise, these programs provide alternative sources of financing for SMEs and start-ups in Croatia," Tomek concludes. ■

Albania Bets on Tourism, Renewables, and IT: A Buzz Interview with Mirko Daidone of CMS

By Andrija Djonovic (October 23, 2023)



Albania is undergoing transformation, with a burgeoning focus on tourism and renewable energy, according to CMS Managing Partner Mirko Daidone. While the legal frameworks are aligning with EU standards and the IT sector is thriving, affordability is decreasing and the country faces talent drain challenges.

“Albania is in the midst of an exciting transformation,” Daidone begins. “Over the past months, the focus has been on developing tourism, with the construction of resorts and a noticeable increase in property prices. The real main engines here are renewable energies and other sectors, which are drawing major international companies seeking to enjoy the country’s opportunities,” he shares.

Moreover, Daidone points to the Albanian Prime Minister as a key player in this transformation. “He’s been instrumental in attracting international attention and investments. Albania is widely considered one of the safest places in the world, and its development is progressing rapidly, with new hotels and skyscrapers springing up daily,” he says. “Notably, Marriott and Intercontinental are among the international names coming to Tirana, and the city is quickly becoming a competitive capital in Europe.”

To accommodate all these developments, the legal and regulatory framework in Albania is changing. “The legal framework in Albania has been evolving since 2009, with laws harmonized with EU legislation and directives,” Daidone says. “The country is diligently working to implement these agreements, though GDPR implementation differs slightly and is expected to be completed next year. The pace of development is impressive,” he says.

With all the changes the country has been experiencing, it would stand to reason to assume that it has become a sought-after destination – but it’s not all smooth sailing. “Albania is often viewed as a relatively affordable destination, but that’s changing quickly,” Daidone continues. “The main contradiction lies in the rising cost of living; the wealth gap is widening, with the middle class struggling to keep pace. As a result, many people are seeking opportunities abroad, particularly in Germany. There’s also a lack of personnel, which is a challenge that needs to be addressed,” he explains.

Focusing more on the specific business areas, Daidone puts a spotlight on the IT sector. “The IT sector is indeed a rising star in Albania – many companies are hiring hundreds of employees to develop tourism and software,” he shares. “The taxation system is favorable, and salaries are competitive compared to other European countries. This sector is growing rapidly, but it’s essential to address the issue of talent leaving the country,” he adds wearily.

Ultimately, Daidone reports that Albania seems to be on the path of becoming “one of the best places in Europe within the next decade. The country is forging its own way, unburdened by the complexities of EU membership. In Central Eastern Europe, other countries may be following a similar trajectory, but Albania’s unique circumstances and mentality set it apart,” he concludes. ■



The legal framework in Albania has been evolving since 2009, with laws harmonized with EU legislation and directives. The country is diligently working to implement these agreements, though GDPR implementation differs slightly and is expected to be completed next year. The pace of development is impressive.

Slovenia Rolls Up Its Sleeves: A Buzz Interview with Minu Gvardjancic of Ketler & Partners, Member of Karanovic

By Andrija Djonovic (October 23, 2023)

In the wake of catastrophic floods, Slovenia has been grappling with several legal and economic challenges as well – from implementing healthcare reform to combating high inflation – according to Minu Anamaria Gvardjancic, a Partner of Ketler & Partners, member of Karanovic.

“The floods were really a major catastrophe for Slovenia,” Gvardjancic begins. “The legal implications are multifaceted, ranging from environmental regulations to insurance claims and infrastructure repair contracts. The government is working diligently to allocate resources and funds to address these issues, particularly with winter approaching,” she explains, underlining that the key is to ensure that “all negative effects are mitigated effectively and fairly.”

Floods and their associated turmoil aside, Slovenia has also been experiencing a high inflation rate, contrasted by a strong positive note – quite low unemployment levels. “The inflation rate blew past 7% recently, much higher than in the EU,” Gvardjancic reports. “Still, this September also saw the lowest unemployment rate since becoming independent, with fewer than 50,000 people being unemployed.” So low is the unemployment rate that the country has moved to smoothen the barriers to entry of certain foreign labor. While a positive step, Gvardjancic stresses the need to undertake this facilitation carefully. “It must be done within the framework of existing labor laws and regulations. The legal system will need to adapt to accommodate this influx of foreign workers while ensuring their rights are protected,” she explains, adding that skilled foreign labor is mostly needed in the construction sector.

Furthermore, Gvardjancic indicates that healthcare reform is likely on the horizon for Slovenia. “The reform of the sector has been much debated, ever since the elections. It was made abundantly clear that this will be a major task for the new government, but until now not much has taken shape.”

Speaking of reforms, there is also talk that there might be an overhaul of the tax framework, too. “With reforms and updates to the tax landscape being all but heralded, we are all fearing what these changes might bring in the future,” Gvardjancic says. “Slovenia already has a high tax rate, for example when it comes to personal income, so any new changes would probably be received with trepidation.”

Trepidation, however, is not present in the M&A sector, with Gvardjancic reporting a number of “high-volume transactions which are keeping lawyers busy. Also, there is a high number of litigation procedures lately, especially in the banking sector concerning the validity of CHF credit contracts, so it cannot be said that the legal market isn’t experiencing dynamism.” ■



The floods were really a major catastrophe for Slovenia. The legal implications are multifaceted, ranging from environmental regulations to insurance claims and infrastructure repair contracts. The government is working diligently to allocate resources and funds to address these issues, particularly with winter approaching.

THE INSIDE TRACK: PARTING WAYS

In **The Inside Track**, General Counsels across CEE share the nuances of their roles, challenges, and strategies for success. Given the importance of relationships between in-house legal departments and law firms, this time we asked GCs: **What is the most common reason for which you cease working with a specific law firm and what would you suggest firms definitely do to ensure they do not make the same mistake?**

GOODBYE



Andrius Digrys, General Counsel, BLRT

Group: The most important – and probably the *one* reason for which we cease working with a specific law firm is loss of trust. Usually, it is due to general professional ethics issues, incomprehensive or even incorrect advice. However, I would specifically emphasize general professional ethics issues – it can sound rather strange, but we still face problems with this.



Eleni Stathaki, Head of Legal, Upstream:

We rely very much on outside counsel for advice on local law in the countries where we are active and other matters where we need specific expertise. Thankfully, we have been very fortunate with our legal partners, with most of whom we have worked for several years. However, there have been cases where we have stopped working with a firm, with the most common reason being excessive billing and in general costs not being accompanied by value. There was one firm that had billed hours spent on an introductory lunch before they were engaged. I remember finding that extremely inappropriate, as this cost should be included in their business development efforts and did not correspond to the services rendered.

A good way to address that would be billing transparency and upfront communication. We have developed our outside counsel policy which we share upon engagement. Amongst other items, we clarify that we will not pay for duplication of time caused by the transfer of a project to a new attorney for internal reasons, education, or excessive intra-firm conferencing. Legal departments typically struggle with tight budgets so knowing upfront what constitutes billable matters and what does not help in controlling costs.



Barbara Chocholowska, Country Head of Legal, HB Reavis:

As a rule, it is the legal department providing full legal support to our group companies. We usually seek support from external law firms in case of very large projects or complex legal issues.

Thus, when cooperating with law firms, we mainly look for expertise and experience in the required area. This is the main requirement when we make a decision on the choice of a law firm, although, of course, financial conditions are also important nowadays.

When cooperating with the law firm on a project, what is important to us is the commitment of the project team and their understanding of our business needs. Equally important to us is the availability of the team and the adherence to arrangements made, including deadlines. Consequently, we build cooperation on trust, and if the trust is lacking, it is not a law firm with which we can establish a long-term relationship.



Joanna Przybyl, General Counsel, Revetas

Capital: Poor quality of services provided is probably the most serious reason to decide to stop cooperation with a law firm, but lack of proactive communication and transparency when it comes to billing may also impact the relationship with a law firm. In-house

legal teams are very often responsible for reporting on the fees incurred versus the internally approved budgets. When clear instructions are given for a law firm to notify significant out-of-scope works before they are undertaken, these should be followed. There is nothing more problematic than to realize after completion of the project that fees doubled as it may be just too late to address such fee increases.



Martin Lisa, General Counsel, Eviden Czech

Republic: Fortunately, such a case has happened to me only once so far. The reason for terminating our cooperation was the passing of an important legal deadline in court proceedings, which led to the loss of the case due to such formal misconduct. The lesson

I've learned is to be active, to ask about the status of the proceedings and the next steps, to suggest the next course of action, and to not rely only on the actions of the external lawyer. An external lawyer usually has no personal connection to the case and takes it as one of the many others. Another recommendation is to maintain long-term relations with the external law office with which we cooperate, to build more than just a professional relationship, i.e., a more personal approach, which of course results in a greater mutual trust and a more responsible approach.



Daniel Urban, Head of Legal & Operations, Mercedes-Benz Financial Services Hungary:

When it comes to external legal reviews, we aim for materials that are more straight to the point and less theoretical. For the business, the paramount factor is to get compact, practical, and easy-to-process responses to legal issues. I'd especially highlight the importance of this when it comes to personal meetings and presentations of legal solutions. It happened on numerous occasions that we decided to stop cooperation with a law firm due to this, independently from the quality of the original material: Getting lost in the legal depth and details when presenting to the business.



Bora Kaya, Head of Legal, Gama Holding:

I think our profession relies upon mutual trust more than anything else. Once that trust erodes, it is not possible to continue working together. This deterioration primarily stems from receiving either false (or materially deficient) information about the applicable law or misleading budget proposals representing only 10% of the total invoice amount at the end of the day. These situations put in-house counsel who decided to work with those external counsel in a tough place in front of their internal clients (i.e., Boards or CEOs). Law firms should not quote for works in which they are not equipped enough to provide the service that is expected even when an in-house counsel insists on receiving one. If a law firm submits an estimated budget as a proposal, then a) this proposal should not be based

on a long list of assumptions and b) the firm should not exceed this budget by more than 10% when the job is done. Even when the firm has to pass that limit, it should consider compensating that excess internally in the first place, absent an event that can be regarded as almost *force majeure* (i.e., beyond its control), and bring this issue to discussion with the in-house counsel of their client at a later stage (maybe at their next assignment) rather than sending an invoice directly and threatening their client to cease carrying on with or completing the job if the invoice is not paid.



Nada Matusikova, Co-Head of Legal, RWS

Group: I definitely discourage law firms from not answering clients' requests and emails in time and not following their instructions. I always give the lawyers more chances to improve but if they are repeatedly delayed with their responses or they don't follow my instructions, sooner or later I terminate the cooperation.

I suggest sending a regular overview of open matters. I hate sending status update reminders (another reason to stop the cooperation). Last but not least, I cease working with the law firm if the people I'm happy working with, move somewhere else. Sorry to say that, but my loyalty relates rather to people than to the firm.

Anonymous: I expect prompt and business-tailored replies. To do so external law firms should be familiar both a) with our industry and b) corporate business model. To support this goal from our side we tend to have long-lasting business relationships.

Usual mistakes are: a) general replies not reflecting our specifics, b) "apprentice level replies" without any actual advice, c) not respecting our tight deadlines (we prefer larger law firms to make sure that at least some lawyers are available), and d) insisting on further inputs from our side despite none being available, i.e., not being able to provide advice based upon limited facts.

Additionally, we require advice in different legal areas, hence some specific expertise is expected – which is another reason to cooperate with larger law firms with departments dedicated to certain legal areas.

In short, external advisors should help, make our job easier and not more complicated. I always try to discuss it with senior partners to make sure that there is no misunderstanding about what is expected from them. ■

REGULATING A REVOLUTION: AI-DRIVEN INNOVATION IN CEE AND BEYOND

By Teona Gelashvili

With artificial intelligence dominating tech conversations over the last year and with a draft AI Act being looked at by the EU, CMS Partners **Dora Petranyi**, **Gabriela Staber**, **Klaus Pateter**, and **Olga Belyakova** look at where AI is today and how European legislation might impact its future.

CEELM: To establish context, what are we talking about when we say “AI-driven innovation?”

Belyakova: Technically speaking, these are new solutions that are created on the basis of AI algorithms. However, it’s not as straightforward as it may seem. At present, AI is a topic of widespread discussion, yet it involves several essential components. Primarily, for AI to progress, it requires access to data. When we observe the journey of ChatGPT from its initial release to its current state, it is obvious that once it gathered a lot of data, it became much smarter. At the same time, as the volume of data increases, the demand for AI to be reliable and safe also rises, and that is where AI regulations come into play. AI is currently in its early stages and is too young to gain the immediate trust of the public – it will have to earn it going forward.

Petranyi: Lawyers specializing in TMT have been closely monitoring the use of big data over the years. However, events at the end of last year really stood out – AI became remarkably user-friendly and comprehensible for a broader audience. It generated enough interest that related articles are not only on the front page of geeky magazines but in mainstream media. Another important factor is that it’s not just AI acting in isolation, but it’s the collaborative effort of humans and AI that produces the outcomes. It is not a disconnected feature but there is a close connection between what humans do and what AI generates. Additionally, there are pilot projects and a lot of noise related to AI. That is why there is a huge need for regulation.

CEELM: Speaking of regulations, how does the relevant regulatory/legislative landscape look nowadays?

Petranyi: At the EU level, there is a draft *AI Act* currently under consideration, but notably, the very definition of AI is largely contested. However, it is critical to start with definitions and incorporate human involvement elements in it. For example, one contentious issue is whether the act should make an exception for AI developed for strategic

defense purposes, particularly given the increasing prevalence of AI-driven military operations. Once definitions are established, another challenge is the categorization of AI. The EU plans to classify AI into various categories, including high-risk, low to medium-risk, and low-risk, each carrying specific regulatory obligations and responsibilities.

Staber: It’s important to emphasize that companies are responsible for self-categorizing, while the regulatory authorities overview these classifications. When it comes to high-risk AI, companies will be obligated to undergo a certification process. This becomes particularly relevant for certain sectors like life sciences, which heavily relies on AI in medical devices that are deemed high-risk. In such cases, companies will need to secure compliance with two sets of requirements – for medical devices and for AI. Many industry experts express concerns about the substantial impact these regulations may bring, including the introduction of new liability rules for AI. These rules will establish specific disclosure requirements for AI systems and lower the burden of proof for claimants in civil litigation cases involving damages if the provider has failed to comply with regulatory requirements.

Pateter: A notable addition in the latest draft of the *AI Act* is an interesting aspect of AI’s definition – the ability for AI to function, at least partially, autonomously. While it doesn’t provide complete clarity, it represents a step forward in terms of progress.

Moreover, in this most recent draft, a new type of AI, known as the foundational model, has been introduced. This is a response to the widespread adoption of systems like ChatGPT, which can go beyond just web applications and extend to APIs. These foundational models have found applications in various sectors, including healthcare and the legal industry.

CEELM: Taking into account the ongoing progress, what are your expectations for the evolution of AI in the region?

Pateter: As with other regulatory measures, the AI draft act



Dora Petranyi,
Partner,
CMS Budapest



Gabriela Staber,
Partner,
CMS Vienna



Klaus Pateter,
Partner,
CMS Vienna



Olga Belyakova,
Partner,
CMS Kyiv

will likely foster innovation itself and enable its mass adoption, especially among conservative industries. At present, decision-makers are trying to navigate a grey area of law. Having well-defined, clear regulations and legal frameworks, on the other hand, will likely provide them with a sense of security in what they do.

Staber: Interestingly, there is a concern that the EU's role as the first to enact regulations could potentially have adverse effects on innovation within Europe. Such regulations may risk impeding innovation on the continent. Much discussion has revolved around the EU's competitiveness in this field, taking into account the broader global dynamics involving the US and China – factors that cannot be disregarded.

Belyakova: On the other hand, looking at the GDPR, the EU has established itself as a trendsetter, with the biggest part of the rest of the world subsequently adopting its standards. The GDPR regulations have already surfaced in the US, the Middle East, and various other regions, with all of them

considering the EU's model as a precedent. I suspect that the same pattern will emerge with AI. While the exact rules are yet to be defined, the EU stands as a flagship in this regard, and overlooking its regulations is unlikely when considering the global landscape.

Petranyi: Indeed, the EU has proudly been protecting the rights of individuals, especially when compared to many counterparts that often prioritize profit. Nevertheless, the regulator's quick response to introduce regulations, although fueled by good intentions, can still be a concern. As for the implementation of the AI regulation, there is a two-year timeframe in sight. I anticipate that innovation won't stagnate during these two years, and we might encounter numerous unexpected developments. Caution is needed not to overregulate based solely on current observations, as things can evolve very quickly, especially in agile areas such as AI.

CEELM: To what extent is CEE at the forefront of such innovation? Or is it simply following the lead of other jurisdictions?

Belyakova: Undoubtedly, CEE is at the forefront of technology innovation. Wherever technology succeeds, countries try to claim it as their own. Prominent companies like Grammarly, ReSpeecher, and others were born in CEE and maintain substantial offices and R&D divisions in the region. Even non-CEE companies are tapping into CEE talent pools to advance their AI initiatives, as CEE possesses immense talent and an entrepreneurial spirit. What differs is that companies from our region might be too modest to shine bright and scream to the world about their achievements.

Staber: In Austria, there are a few remarkable, but lesser-known innovative companies. In the biotech sector, we have a wealth of universities and startups that use AI, particularly in the domains of precision and personalized medicine. They explore various treatment options for different ailments, experimenting with existing medications when conventional approaches yield no results. The outcomes have been highly promising.

Pateter: From the startup perspective, finances are consistently a primary concern. The reason the US remains a big competitor lies in the ease of access to venture investments, way easier than in Europe. In Europe, we encounter a more intricate and diverse market, and with the ongoing process of integration, I believe the EU and CEE markets will eventually catch up. In due time, I believe we'll become even more competitive, including in the field of IT and AI and their use in specialized domains, particularly within the industrial sector. ■

THE CORNER OFFICE: BUDGET, BUDGET, BUDGET

In **The Corner Office**, we ask Managing Partners at law firms across Central and Eastern Europe about their backgrounds, strategies, and responsibilities. With 2023 marching to an end, we looked ahead and asked about strategies for next year: **As the budgeting period is around the corner, compared to 2023, what are the main budgeting lines you expect to increase for 2024 and why?**



Panagiotis Drakopoulos, Managing Partner,

Drakopoulos: When we discussed budgeting for 2024, we primarily decided to increase our spending on investments in new hires, as well as IT infrastructure and software.

In an effort to manage growth, we opted to focus on making sure that our firm will continue to operate seamlessly and in line with the latest developments in technology, while at the same time handling increased workloads in a comprehensive and responsive manner.

Furthermore, we will be investing in completing an ESG compliance program across our offices, not only because it is the right thing to do, but, rather pressingly, because certain clients are making ESG compliance a prerequisite to award mandates; we expect this trend in client behavior to become the norm in the not-so-distant future, trickling down from large to medium and even smaller accounts as well.



Vladimir Bojanovic, Managing Partner,

Bojanovic & Partners: Effective budgeting will help you plan, strategize, and shift as you need to, helping you grow a financially healthy law firm. I often like to say that it is not about spending the money but, about whether the money is well spent. Compared to

2023, BOPA as well as our legal network Adriala will mainly increase the marketing budgeting line in a manner to support the firm and network revenue strategies along with the

individual partners' business plans.

From my extensive experience, the business side of law is just as important as legal practice. There is no doubt that all lawyers from our team are continuously striving to improve their knowledge so as to be able to provide premium legal assistance to the most prominent and sophisticated international clients. But in 2024, besides that, along with my partners from BOPA and Adriala, I would like to further enhance the brand visibility at an international level, which, in turn, we expect to lead to heightened client loyalty and trust, increased lead generation, recruiting successes, and ultimately, higher revenue.



Kostadin Sirleshtov, Managing Partner, CMS

Sofia: There are several strong tendencies, which we are planning to capture in the upcoming budgeting efforts. CMS Sofia has completed its strategic hires, but we are planning fee earners' promotions for 24/25 and therefore one of the highlights is the increased HR costs as a result of promotions.

IT infrastructure is another strategic spend that we are planning for 24/25 at CMS Sofia given the increase of the office to around 75-80 people and the increased needs of our IT department. We are completely refurbishing our IT room and changing equipment.

We have also planned some increased socializing costs for all

staff – following the end of the pandemic it is essential that we meet more regularly in an informal environment and bond together, especially given the increased number of new hires in the CMS Sofia office.



Miroslav Dubovsky, Country Managing Partner, DLA Piper Czech Republic: We continue to invest in our people, as we have done in recent months with the appointment of two new Partners – Michal Hink to strengthen our real estate practice, Tomas Scerba to strengthen our IPT offering – and the addition of a Counsel to our banking and finance practice, Leo Javorek.

More broadly, DLA Piper is committed to investing in and developing the careers of our lawyers. This includes reinvigorating our international development and secondment opportunities. Many people join DLA Piper because we are a global law firm, and they want to gain global experience. But the pandemic has dramatically reduced travel. We are devoting significant resources to reinvigorating this important part of our business. And we're also working to ensure that we have a development plan in place to support career growth and ambition.



Istvan Szatmary, Managing Partner, Oppenheim: When considering our budget for 2024, we will be carefully evaluating the key areas where we anticipate increasing our allocations. The focus here is on strategic investments that will have a long-term impact on the operational environment, performance, and profitability.

Our IT infrastructure is a major contender for increased funding. The “why” behind this decision is clear. In today’s rapidly evolving business landscape, technology plays a critical role. To remain competitive and adaptable, we need to invest in our IT infrastructure. This investment will ensure our systems remain agile, secure, and capable of accommodating emerging technologies. As part of the IT infrastructure, we plan to allocate more resources to software and digital tools. In an increasingly digital world, optimizing our operations and enriching customer engagement through innovative software solutions is critical to our success. These investments are driven by our proactive desire to shape our future, ensuring we’re not just reacting to external factors but actively positioning ourselves for sustained success.



Tomas Bagdanskis, Managing Partner, Ilwal

Lextal: Lawyers are in a unique position.

They tend to be high-income earners but work long hours which leaves them little time to devote to planning their finances.

Our focus for the coming year will center on three main areas: our people (keeping and attracting new lawyers); marketing and business development; and IT tools that would help maintain administrative workflow and further improve the speed and quality of our client service. We see marketing as a necessary expenditure for promoting our law firm. This includes questions related to branding, building a new website, etc. Furthermore, we'll focus on meetings with clients, and expanding our network locally and internationally. Most digital marketers operating in the legal industry recommend spending between 2-18% of your firm's gross revenue on marketing. I think we will spend anywhere between 7-10% of our gross revenue. There are no plans for further costs related to our office space. The same applies to other expenses, such as hardware.



Nenad Cvjeticanin, Managing Partner,

Cvjeticanin & Partners: We plan to

focus on several budget lines for 2024.

(1) Increased hires: we intend to hire additional attorneys and one paralegal so we can better distribute workloads, reduce overtime costs, improve client service, and allow the firm to take on more cases, thereby increasing revenue. (2) Legal practice management software: we have office management software, but we intend to upgrade it to facilitate streamlined case management, time tracking, billing, and document management. This will enhance efficiency, reduce administrative errors, and ensure better compliance, ultimately leading to increased billable hours and revenue. (3) Business development trips: essential for building and maintaining client relationships. Meeting clients in person fosters trust and can result in more referrals and repeat business, ultimately driving revenue growth. (4) IT infrastructure upgrades: we use the Microsoft Office 365 clouding system because we believe it offers a high level of data security and operational efficiency. Upgrading hardware, software, and cybersecurity measures can prevent costly data breaches and downtime, ensuring uninterrupted client service and trust. Finally, (5) continuing legal education and training: regular CLE and training programs keep attorneys updated on legal developments and best practices, so we intend to invest in education in order to improve specialization.



Borivoj Libal, Managing Partner, Eversheds

Sutherland Czech Republic: In the upcoming budgeting period for 2024, we anticipate a deliberate focus on strategic investments that would reinforce Eversheds' growth trajectory in the Czech Republic. Notably,

the main budgeting lines that we want to prioritize include increased hiring and training initiatives, advanced software integration, and strategic business development activities in our core and niche legal areas. Firstly, increasing our workforce is essential to effectively meet the growing demands of the market and maintain our competitive edge. We are planning to increase our team by at least 15% in the following year. Moreover, following recent investments into document management systems, we aim to invest in even more advanced software solutions, particularly to streamline client communication effectively. Also, strategically allocating resources for PR activities, particularly in our legal core and niche disciplines, will be crucial in enhancing Eversheds' brand visibility and establishing a strong industry presence in the local market. These strategic investments, in my view, would serve as the cornerstone for our continued success and resilience in the dynamic business landscape of 2024.



Tarik Guleryuz, Partner, Guleryuz Partners:

With 2024 around the corner, we do have a lot to be excited about with plans to solidify our growing position in the market while also seeking to reach new horizons making use of novel ideas and technologies.

In this respect, one of the items we plan to invest significant financial and human capital into in the coming years is the development and adoption of new legal technology making use of artificial intelligence technologies. We have had projects and collaborations in the pipeline for quite a while, but with the recent surge in both supply and demand, we have also increased our efforts in the area.

Also, in line with the same goal of broader horizons, we will be seeking to scale up our work further, following the trend of growth we have managed to follow in the last few years. In this context, we will be making significant investments in international client outreach and business development in Europe and surrounding markets. We expect this will result in an even more diverse client portfolio for us, and provide a high return as we will be able to establish ourselves as a regional or even a global player in the coming years.



Octavian Popescu, Managing Partner,

Popescu & Asociatii: Regarding the budget for 2024, our increases will target key points we consider essential to growth. As I mention every time I have the chance, at Popescu & Asociatii we put our team first.

People are the most important pillars for building a solid team and achieving clients' trust and outstanding results.

Then, digital transformation and cybersecurity represent fundamental areas to invest in permanently as IT technologies continue to evolve and help many industries, with an amazing speed.

On the other hand, in an increasingly technological world, greatly accelerated by the pandemic, I believe we all feel the need for face-to-face meetings. As a team, we work from the office and we encourage essential meetings to be offline. Valuing permanent education and training that require constant involvement and budget, we will continue to invest in physical attendance at various events and team buildings, participations that bring more added value than a simple online meeting.

Definitely, our team and our results represent our business card. However, we also need to share our achievements, to be present at important events. In this regard, our budget will be increased as we aim for high standards and great objectives that require time, quality, and the right budget.



Bernhard Hager, Managing Partner, Eversheds

Sutherland Slovakia: Our Slovak budget for 2024 accounts for increased costs for the operation of the office (people, energy, IT) and increased fees. However, we do not expect that fee increases will keep pace

with the increase in operational costs. We also reserved some money for the implementation of the NIS2 Directive. Although our law firm is not directly impacted by the NIS2, many of our clients have to comply with it and, as their supplier, we have to have certain IT standards. At the same time, Eversheds Sutherland has initiated *1Europe*, an ambitious program to increase resilience against cybercrime. This requires investments above the usual IT updates.

Further, we earmarked additional money for recruiting, training, and BD. Digitalization, ESG, supply chain, and resilience (energy, cybercrime, political disruption) are the key words, and we invest in our people and look for new people in order to excel in these new areas of law. ■

CEELM TOP 10: MOST-READ DEALS AND CASES

The **CEELM Top 10** series looks back over the past ten years and celebrates the milestones we have achieved together. The list below highlights the most-read Deals and Cases, with a short description of each.

1. D&B David si Baias Successfully Represents Rafinaria Steaua Romana on Late VAT Refunds Interest (December 19, 2013, Hits: 273,292)

D&B David and Baias, the Romanian firm associated with PwC, successfully represented Rafinaria Steaua Romana in the Romanian High Court of Cassation and Justice. The High Court ordered the National Agency for Fiscal Administration in Romania to pay default interest on late VAT refunds.

2. Hogan Lovells Advises MOL on USD 375 Million Acquisition in North Sea (December 19, 2013, Hits: 272,150)

Hogan Lovells advised the MOL Group on its agreement to acquire the entire issued share capital of Wintershall (UK North Sea) Limited for a base consideration of USD 375 million.

3. Gessel Advises mBank on the Purchase of Stone Master Shares (January 8, 2014, Hits: 267,000)

Gessel advised mBank on debt financing to purchase shares of Stone Master, a Polish company specializing in the production of decorative stone elements and facade coverings for the Polish market.

4. Hogan Lovells Advises on Development of Caspian Sea Gas Field (December 22, 2013, Hits: 263,047)

Hogan Lovells advised the Shah Deniz Consortium – consisting of BP, the State Oil Company of the Republic of Azerbaijan, Statoil, Total, Lukoil, TPAO, and NICO – on the Stage 2 development of the Shah Deniz gas field in the Caspian Sea, which reached a final investment decision on December 17, 2013.

5. DLA Piper Advises on Acquisition of Ukrainian Online Payment Company (December 19, 2013, Hits: 250,965)

DLA Piper advised Europe Virgin Fund (EVF) – a private equity fund sponsored by Dragon Capital – in the acquisition of a majority stake in the Ukrainian online payments system Portmone.com.

6. Doubinsky & Osharova Defends Philip Morris in Domain Dispute (December 24, 2013, Hits: 246,269)

Doubinsky & Osharova represented Philip Morris International Management in the Solomyansky District Court of Kyiv, which found that it was the lawful owner of the “Philip Morris International” trade name and that the domain philipmorrisinternational.com.ua properly belonged to the company.

7. Schoenherr Advises on Acquisition of Microporous’s Austrian and US Operations (January 1, 2014, Hits: 245,764)

Schoenherr, alongside lead counsel Wilkie Farr Gallagher, advised New York-based private equity firm Seven Mile Capital Partners II on its USD 120 million acquisition of the Austrian and US operations of lead-acid battery separators producer Microporous from Polypore International.

8. Raidla Lejins & Norcous and Stepanovski Papakul & Partners in Belarus Consortium (January 7, 2014, Hits: 245,090)

A consortium consisting of the Baltic Raidla Lejins & Norcous (RLN) and the Belarus Stepanovski, Papakul and Partners (SPP) law firms, along with KPMG offices in Hungary and Belarus, was selected to attract and generate investment to several Belarus state-owned enterprises.

9. Gessel Advises IBES on Sale to Carrefour Poland (January 9, 2014, Hits: 238,224)

Gessel represented IBES on its sale of the RAST supermarket chain to Carrefour Poland. Through the transaction, Carrefour took over 10 supermarkets in the city of Olsztyn.

10. Gide Advises on the First Motorway PPP in Romania (January 7, 2014, Hits: 227,857)

Gide Loyrette Nouel advised a consortium consisting of Vinci Concessions, Strabag, and Aktor on a 29-year public-private partnership contract covering the Comarnic-Brasov section of the Bucharest-Brasov motorway in Romania.

MARKET SPOTLIGHT: BALTICS



ACTIVITY OVERVIEW: ESTONIA

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249



71

Toomas Prangli



229



70

Kristel Raidla-Talur



190



49

Peeter Kutman



100



36

Ermo Kosk



42



34

Martin Simovart



Activity Overview:

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ACTIVITY OVERVIEW: LATVIA

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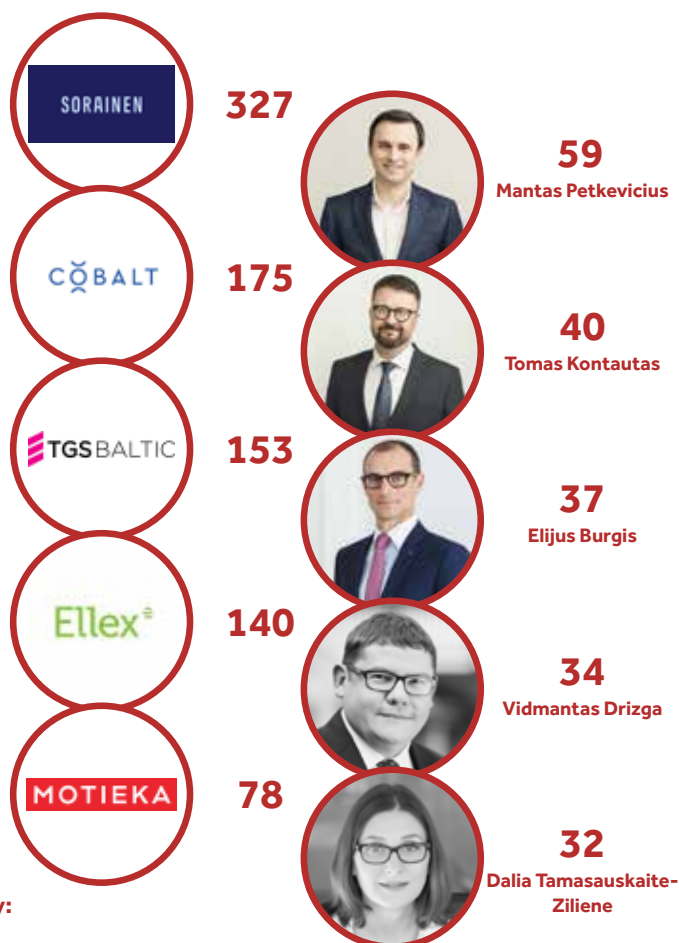
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ACTIVITY OVERVIEW: LITHUANIA

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MARKET SNAPSHOT: BALTICS

AN OVERVIEW OF INTELLECTUAL PROPERTY PRACTICES IN LITHUANIA

By Vilija Viesunaite, Managing Partner, Trinita Jurex



Lithuania's intellectual property (IP) market is active in the area of trademarks and copyright, with businesses and creators starting to understand the value of IP protection. This trend does not yet extend to patents, but trade secrets are a highly litigated area, and their protection is broader than ever.

For start-ups, it is not only investors that prefer to secure IP they invest in. Founders too are realizing that protecting their IP is a great way to attract investments into their business. Lithuania's game industry in particular is experiencing a rise in activity, bringing with it plenty of copyright and trademarks in need of protection. As many game developer companies are start-ups, they require a lot of information on how their IP rights work and what can be done to protect them, and advice is readily available.

The EU is currently sponsoring a compensation scheme for new trademark registrations. This scheme has made it more accessible for small businesses and start-ups to consider registering their trademarks, which may have otherwise been out of reach. However, Lithuanian businesses have been active in registering their trademarks even before this scheme – in 2021, there were over 2,500 national trademark applications. In 2022, there were just under 2,000 applications, and this year so far, there are slightly over 1,600. As for European Union trademarks (EUTMs), there were 1,031 applications in 2021, 960 in 2022, and so far more than 860 this year. So, businesses in Lithuania seem to be enthusiastic about registering their trademarks, with or without compensation.

The National Patent Bureau handles trademark disputes and tends to resolve most of them before the need for courts arises. Even so, compared to the amount of trademarks filed each year, the amount of disputes is very small – appeals vary within a 10-20 margin per year, and oppositions within a 40-60 per year margin. So, of the thousands of applications per year, very few are disputed.

There is also an increase in Lithuanian scientists, specifically in the field of biotechnology and pharmaceuticals, who are scattered around the globe, seeking to agree with their co-creators

on sharing IP rights. Since Lithuania is a rising star in the field of biotechnology, the gradual influx of scientists is likely to keep rising, and their concerns about protecting the IP they created abroad will become more pressing.

With the addition of multiple scientists, developers, and other interested parties into the field of IP disputes, there has been a rise in litigation concerning trade secrets. The EUIPO reported that Lithuania displays a disproportionately high trade secrets litigation level, which bodes both good and bad news for businesses established here – trade secrets may be disclosed, but litigators have experience in getting compensation for them.

Also, recent case law (incidentally, concerning a company from the pharmaceutical sector) shows a broad interpretation of what constitutes a trade secret, extending it to information about customer data. The Supreme Court of Lithuania clarified that data is to be protected as a trade secret if it contains information other than the name of the customer that is not available to the public, such as contact persons, decision-makers, business practices, technical information to support operations, service and quality requirements, planned projects, and solvency. This ensures that trade secrets are more protected than ever, and, in turn, so are businesses.

One area where Lithuanian companies are not utilizing their access to IP protection is patent protection. There are usually very few cases involving patent disputes – there are no decisions yet this year, nor were there any in 2022. At the same time, of those who do choose to get patents, most are still reluctant about the new Unitary Patent system.

In summary, the importance of IP is growing in the Lithuanian market, with copyright and trademarks on the minds of investors, creators, and scientists. Trademark registration rates are unaffected by EU compensation, which shows the genuine interest of Lithuanian businesses to keep protecting their marks, with or without compensation. Reluctance to get patents is evident, but with advancements in the field of biotechnology and pharmaceuticals, this part of IP is likely to become relevant soon as well. ■

REVISED LABOR MIGRATION RULES IN LITHUANIA

By Aleksandras Masaliovas, Partner, CEE Attorneys Lithuania



The regulatory framework of the Lithuanian labor market underwent several important updates. Most of these developments are concerned with regulating labor migration.

Labor Market Opened for Ukrainian War Refugees

The outbreak of war in Ukraine caused an unprecedented inflow of refugees and migrants into Lithuania and other EU countries. The total number of Ukrainian nationals residing in Lithuania at the outset of 2023 was close to 95,000. To integrate war refugees into the labor market, the Lithuanian Government adopted regulatory measures that resulted in immediate access to employment for temporarily displaced persons. The so-called “Labor Market” test applicable to migrant workers was suspended for Ukrainian nationals and they were allowed to take up employment without applying for clearance from the Lithuanian Employment Service. The number of war refugees from Ukraine working in Lithuania has doubled in 2023 and at the moment it exceeds 26,000. Ukrainian war refugees are mostly employed in transport, production, wholesale, and retail trade industries. All these industries have been experiencing labor shortages in recent years.

Eased Hiring of Highly Skilled Expatriates

Lithuania has established itself as an attractive European hub for international technology and fintech companies. Numerous IT, game development, fintech, and other international industry leaders have started their operations in Lithuania in the course of the last five years. The war in Ukraine increased the presence of international IT and technology businesses as many companies relocated their operations and employees to Lithuania. In 2022, significant amendments were introduced to facilitate the hiring of highly skilled professionals and attract talent from non-EU countries. The Labor Market test was revoked for all non-EU highly skilled professionals seeking employment in Lithuania. Professionals are deemed to be highly skilled if they possess a higher education degree or their three-year or five-year professional experience (depending on a particular occupation) is recognized as equivalent to a highly skilled qualification. The amendments significantly simplified the process of obtaining a Lithuanian residence permit and enabled expatriate employees to relocate to Lithuania and start their work within a one-two-month period. A new list of high-value occupations was adopted to cover shortages of highly skilled professionals. Over 70 different occupations are currently on the list and most of them are within the IT, engineering, and life science fields. All listed shortage occupations

are subject to a lower monthly salary threshold than other highly skilled occupations.

Furthermore, highly skilled expatriate employees are now allowed to work for more than one company and have a six-month grace period to find new employment opportunities in the event they quit or lose their initial job. Some other important amendments aimed at improving the conditions of expatriate employees are currently under preparation, including public healthcare insurance coverage for non-working spouses of highly skilled expatriate employees.

Fewer Formalities for Other Migrant Workers

The conditions for entering the Lithuanian labor market were also simplified for other migrant workers from non-EU countries. Given the fact that there is a permanent labor shortage within manufacturing, construction, and other industries (e.g., there were over 17,000 vacancies registered with the Lithuanian Employment Service in September 2023), loosening requirements for recruiting foreign workers is a welcomed step for the Lithuanian economy. Although non-EU workers outside shortage occupations are still subject to the Labor Market test, the procedures of the Lithuanian Employment Service have become less stringent. To pass the test, migrant workers should demonstrate either an appropriate qualification or a minimum of one-year professional experience relevant to the position to be occupied in a Lithuanian company. The latter requirements related to qualification or experience are not applicable if the monthly salary to be paid to the respective migrant worker is not less than the established benchmark of a national average salary. It is also worth mentioning that under the revised rules, Lithuanian temporary employment agencies are permitted to invite non-EU workers and employ them under temporary work arrangements. Previously, Lithuanian temporary employment agencies were not allowed to hire non-EU workers.

External Visa Centers to Handle Residence Permit Applications

From the beginning of 2023, non-EU employees can obtain a work-related Lithuanian residence permit from outside Lithuania by addressing one of the VFS Global visa centers. Such centers are authorized by the Lithuanian Government to handle residence permit applications and operate in 34 countries, including India, Turkiye, Japan, South Africa, Kazakhstan, and the Philippines. Despite frequent practical difficulties during appointments at some of the external visa centers, the opportunity to apply and obtain a Lithuanian residence from outside Lithuania takes another important step forward toward more accessible and facilitated labor migration procedures and practices. ■

LITHUANIA ON THE PATH TO ENERGY INDEPENDENCE

By Vytautas Kalmatavicius, Partner, Trinitis Jurex



Many might be surprised these days, but when Lithuania joined the EU in 2004, it was an electricity exporter, producing more energy than it consumed. The Ignalina Nuclear Power Plant was operational, and Lithuanian consumers were unaware of potential concerns over electricity prices. With the closure of the Ignalina NPP, Lithuania became an electricity importer, generating only about a third of the required 12 terawatt-hours of electricity annually. This resulted in Lithuania's energy dependence on neighbors with larger energy production capacities. Lithuania aims to produce most of its energy from renewable sources and its energy system is currently undergoing a rapid transformation, which begins with the necessary legal amendments.

Lithuania has successfully implemented a prosumer reform, allowing private households and commercial entities to install solar power plants on their building roofs or land. A particularly successful feature has been the ability to purchase a share of a remote solar power plant and use the energy it produces. This was made possible due to a very favorable and simple procedure for setting up the plant or acquiring a share of it, state subsidies, the applied net-metering accounting system, and rising prices due to the global energy crisis. As a result, between 2015 (when the first prosumers were connected) and 2023, 80,000 prosumers were connected to the grid with a combined capacity of 825 megawatts. Currently, discussions in Lithuania revolve around changing the net-metering accounting system to net-billing. It is projected that at least for business entities, the accounting system will change by 2024. Interestingly, if the transition to the net-billing system is made, it will allow prosumers to acquire a share of the energy produced by a distant wind power plant.

Regarding commercial electricity production, in 2022, the Lithuanian Government adopted a “breakthrough legal package” aimed at encouraging commercial renewable energy projects. It sought to simplify and shorten the development procedures for commercial power plants. For instance, in Lithuania, commercial solar power plants can be built on agricultural land, and these plants don't need an environmental impact assessment. The complicated establishment of sanitary protection zones around wind turbines has been abandoned, with a rule that a wind turbine should be constructed no closer than four times the height of its tower from residential buildings. Changes also introduced the concept of hybrid power plants. This has allowed for the connection of

different RES plants and storage devices at a single grid point without summing up their capacity, optimizing the use of the electricity grid, and maximizing production.

The rapid expansion of RES has also brought challenges related to the distribution of grid capacity. The government categorized producers into certain groups and set priorities for grid capacity reservation and production limits. For example, the first priority group is allocated to 1,400 megawatts of offshore wind capacity. This year saw the first auction for the development of a 700-megawatt offshore wind farm, which was won by the state-owned company Ignitis. The remaining reserved 700 megawatts of offshore wind capacity will be offered in a second auction, with state incentives expected. However, with ongoing negotiations between Vilnius and Brussels regarding the state aid scheme, the date for the planned auction remains unclear.

Grid capacities for other plants – onshore wind, solar, and hybrid – are of a lower priority and are allocated to developers according to the grid capacity reservation order. The order is based on a *first-come, first-served* principle. Two such calls have already taken place. Naturally, the competition for the right to connect to certain parts of the grid has led to legal disputes between market participants and between market participants and LITGRID. Most of these disputes are ongoing, so court practices will provide answers in the coming years.

The most significant challenge currently faced by developers in Lithuania is the unclear application of curtailment and the yet-to-be-introduced regulations for storage capacity and energy trading. According to current legislation, the network operator can apply the curtailment necessary to ensure network security. Increment for the curtailment is provided for, but no limits on the application of curtailment or compensation to the producer if limits are exceeded are specified. Producers planning to build energy storage facilities also face a lack of regulation and currently cannot accurately forecast both the required services and their prices. The government promises to provide answers to at least some of these questions by the end of this year.

Despite challenges and a slightly slowing expansion of RES capacities, Lithuania's RES market is growing, and its regulations are continuously improving. ■

CHARTING SCANDINAVIAN FDI IN THE BALTICS

By Teona Gelashvili

Looking into the historical context of Scandinavian foreign direct investment in the Baltic states, **TGS Baltic** Managing Partner **Ivars Grunte**, **Walless** Partner **Rolan Jankelevitsh**, **Ellex Valiunas** Partner **Ruta Pumputiene**, and **Klauberg Baltics** Managing Partner **Theis Klauberg** explore the economic and legal ties between the two regions.

Scandinavian Presence

Foreign investments have long been a driving force in the Baltic region with the historical and ongoing influence of the Scandinavian region standing out. “Scandinavian countries, particularly Sweden and Finland, have historically had very strong FDI positions in all three Baltic countries,” Jankelevitsh notes. “To my knowledge, in 2022 Swedish and Finnish companies in aggregate had over one-third of the entire Estonian inbound FDI, while Latvia and Lithuania had fairly modest single-digit percentages.”

“Historically, Baltics have been looking towards Scandinavia for FDIs,” Grunte agrees, adding that in Latvia, long-term statistics support this observation: “At the end of 2022, the largest investment was from Sweden – 29% of the total FDI stock in Latvia’s economy.” According to Grunte, “trends show that over the course of the last four years, the investment amount is steadily growing and has even tripled from Sweden comparing 2019 to 2023.”

“The Scandinavian countries, particularly Sweden, Finland, and Denmark, have been significant sources of FDIs in the Baltic region,” Pumputiene continues. “Sweden has been one of the Baltic states’ most prominent sources of FDIs. Some notable Swedish companies with substantial investments in the Baltics include Swedbank, SEB, Telia Company, and IKEA.”

Finland, according to Pumputiene, is another Scandinavian country that has invested significantly in the Baltic region: “Finnish companies, especially in the technology and telecommunications sectors, have shown interest in the Baltics.” Additionally, she notes that “while Denmark is less prominent than Sweden and Finland in terms of FDIs in the Baltics, Danish companies have also made investments in the region,” with Danish firms often exploring “opportunities in various industries, such as logistics and renewable energy.”

However, Klauberg argues that although Scandinavia and Finland, in particular, have been major sources of substantial investments, “the largest number of inbound investments are

from Germany.” According to him, “there is a steady rise in investments from Germany in Latvia, Lithuania, and Estonia.”

Diverse FDI Focus

When it comes to FDI patterns, it appears that foreign investors have their sights set on diverse sectors. “When analyzing FDI allocation across sectors, it becomes evident that the majority of investments gravitate towards professional, scientific, and technical services, constituting 21% of the total,” Grunte highlights. “Substantial foreign investments have also found their way into financial operations (15%), real estate and construction (15%), trade activities (13%), and the manufacturing sector (12%).”

“As to FDI by field of activity, the exact breakdown varies from year to year, but traditionally the financial sector and real estate have been the areas of particular focus for Scandinavian and other investors alike,” Jankelevitsh adds. “In Estonia, in addition to these two sectors, manufacturing, energy, IT and telecommunications have also been popular among foreign investors, including Scandinavian ones.”

The Selling Points

In terms of what made the Baltics attractive, Grunte says that EU accession played a major role for Latvia. Following its accession to the EU, “FDI saw a swift upsurge, culminating in its peak in 2022, amounting to EUR 22.6 billion,” he notes. “Key catalysts for this surge included fresh market prospects for international investors, a robust monetary policy, Latvia’s strategic geographical advantage nestled between the European Union and CIS nations, and the extensive and well-maintained infrastructure.” Grunte further notes that “in the wake of the severe impact of the global financial crisis, Latvia implemented sweeping austerity measures.”

Jankelevitsh, on the other hand, believes the internal regulatory landscape and efforts made Estonia attractive to the Scandinavian states: “I assume this is mostly due to their favorable holding and investment fund regimes, and also some favorable aspects in their tax treaties with Estonia.”



Ivars Grunte,
Managing Partner,
TGS Baltic



Rolan Jankelevitsh,
Partner,
Wallis



Ruta Pumputiene,
Partner,
Ellex Valiunas



Theis Klauberg,
Managing Partner,
Klauberg Baltics

Current Trends

At present, the trajectory of Scandinavia-driven FDIs appears uncertain. “It is difficult to see a clear trend in the FDI flows from Scandinavia, however, what we have seen recently is that most significant investments are fairly rarely made by Scandinavian investors,” Jankelevitsh notes. “On the contrary, some of the largest recent transactions were actually exits by Scandinavian investors – one example is the divestment of the Baltic operations of HKScan to the Estonian capital-based Maag group.”

Grunte, however, offers a more positive perspective: “Looking ahead, the historical preference of the Baltic states for Scandinavian FDIs remains a significant factor in the region’s economic landscape. Sweden’s substantial investment in Latvia, coupled with contributions from other European nations, underscores the enduring appeal of this market.”

Nordic Law Firms in the Baltics

Despite their close ties, Nordic law firms appear to have a limited presence in the Baltic market. “Strictly speaking, there are no Nordic law firms present in the Baltic market except that few firms share their brand with local law firms,” Jankelevitsh points out. “Some years ago, a couple of larger Finnish firms displayed their brand in the names of Baltic firms. Borenus, for example, ended that practice eight years ago.”

Among the well-known Nordic law firms operating in the Baltics, Pumputiene highlights that “Njord maintains a prominent presence in the Baltic region, boasting offices in Riga, Tallinn, and Vilnius.” Klauberg also adds that no major Nordic firms operate in the Baltic market, “with the exception of Glimstedt, Njord, and Magnusson, which have their main practice in Sweden, Denmark, and Finland, respectively.”

Even among those who have a presence in the Baltics, Grunte explains that “due to the relatively small size and tough legal market in Latvia, Nordic law firms primarily collaborate with the top local law firms on specific deals and cases. Although several Nordic law firms have a presence in Latvia, they are not the dominant players.” According to him, there are “two law firms with Nordic origins operating in Latvia – Magnusson and Njord – and they are not in the top 10 by revenue or number of lawyers.”

Regarding the entry of other Nordic law firms into the Baltic market, Pumputiene emphasizes that Scandinavian law firms “do not currently express a significant inclination to establish their own offices within the Baltic countries. This tendency can be attributed to productive collaborative relationships characterized by the delivery of top-tier services that already exist between Nordic companies and their Baltic counterparts.”

Similarly, Grunte points out that “the Latvian legal market’s relatively small size and unique characteristics are expected to continue fostering closer collaboration between Nordic law firms and local counterparts for large and complicated deals and cases.” He notes that “in the current market situation, it is unlikely that Nordic law firms will open their representative offices.”

“I think the larger Scandinavian law firms are quite used to and comfortable with the business model of having ties with several Baltic firms, without extending their brand to the Baltics and generally not having any exclusive relationships with any single Baltic firm,” Jankelevitsh concludes. ■

FINTECH IN LITHUANIA: A MATURING MARKET

By Andrija Djonovic

While Lithuania's fintech sector has emerged as a European powerhouse, the number of licensed companies has been decreasing, indicating a shift towards a more quality-focused approach. **Cobalt Partner Akvile Bosaite, Motieka Head of Financial Services and Compliance Sigita Zavisieni, and Walless Partner Joana Baublyte-Kulviete** take stock of the sector.

A Fintech Hub

"In recent years, Lithuania has been making significant strides in the fintech sector, positioning itself as one of the emerging fintech hubs in Europe," Bosaite begins. "The country's proactive approach to establishing a favorable regulatory environment played a crucial role in this, as illustrated by the establishment of a comprehensive regulatory framework for electronic money and payment institutions by the Bank of Lithuania," she explains. According to her, this initiative streamlined the licensing process for fintech startups, facilitating their entry into the market.

Furthermore, Bosaite reports that the fintech landscape structure "remains consistent, with the payments sector maintaining the largest market share. Nevertheless, the fintech market is diverse, featuring numerous participants from various sectors such as financial software, digital banking, and lending." Additionally, with the imminent implementation of the *MiCA Regulation*, Bosaite thinks it probable that, "in the next year or two, an increasing number of crypto-asset service providers will choose Lithuania as their entry point to the European market."

Baublyte-Kulviete also highlights Lithuania's successful journey as a fintech hub. "We have been observing the trend of fintech companies settling in Lithuania for several years after Lithuania has declared its ambition to create a fintech hub," she says, attributing this success to the collective efforts of policymakers, governmental institutions, and the private sector. She further notes the remarkable outcomes of this initiative, with the country registering "the highest number of licensed payment services providers in the EU, ten newly licensed banks, as well as an entire ecosystem that appeared."

Advantageous Regulatory Framework

One of the foremost reasons for such a strong development of the fintech sector in Lithuania stands squarely in the regulatory corner.

According to Baublyte-Kulviete, "an appealing regulatory landscape was definitely amongst the factors that catalyzed the development of the fintech sector." She cites historical factors, such as access to the Single Euro Payments Area – which, according to Bosaite, means that businesses licensed here can operate throughout the EU under the passporting system – and the permission to submit applications in English. However, she also points to the "existing fintech ecosystem and the availability of experienced and capable talents as current attractions for fintech companies in Lithuania."

Moreover, Zavisieni points out that there is a unique type of bank license in Lithuania – a specialized bank license. This license allows for the provision of the "full scope of banking services, except for investment services. Accordingly, as the specialized bank business model excludes the provision of the investment services, a capital requirement is significantly lower — EUR 1 million compared to EUR 5 million for a full-scope bank," she explains.

Bosaite also adds that the country benefits from competitive costs – "Lithuania offers a competitive cost structure compared to other European financial hubs like London or Frankfurt," and a strong talent pool – "Lithuania boasts a highly educated and skilled workforce, particularly in the fields of finance, technology, and computer science." Moreover, she stresses the importance of "infrastructure – Lithuania has cultivated a vibrant ecosystem for fintech companies, complete with incubators, accelerators, and various initiatives like the Bank of Lithuania's Centrolink payment system, and, finally, regulatory environment: despite continual tightening by the regulator, market participants generally perceive the regulatory environment as predictable and reasonable."

However, when it comes to specific regulatory advantages, Bosaite explains that "the Bank of Lithuania now prioritizes the quality of services provided by market participants, compliance with prudential requirements, and societal benefit. A notable shift has been observed, with the growth of fintech

companies plateauing for the first time since 2017, indicating a more cautious approach by supervisory authorities,” she explains.

Quality Over Quantity

Zavisiene highlights the evolving fintech sector’s numbers, stating that, “as of 2021, the number of licensed Fintech companies, e-money and payment institutions, issued by the Lithuanian Central bank has actually been decreasing.” She explains that in 2021, Lithuania had 141 licensed fintech companies, but this number decreased to 131 in 2022 and further to 127 in 2023.

Moreover, Zavisiene emphasizes the concentration of turnover within the sector: “According to the most recent statistical data, 86% of the whole sector’s turnover has been generated by just ten Fintech companies, and 56% of the whole sector turnover is generated by a single company – Paysera.” This underlines the significant contribution of a select few fintech entities to the sector’s overall performance.

Baublyte-Kulviete acknowledges a change in focus by regulators towards tightening supervision as well, explaining that “the situation has changed in recent years when the regulator declared its ‘quality over quantity’ policy and focused more on tightening the supervision.”

86% of the whole sector’s turnover has been generated by just ten Fintech companies, and 56% of the whole sector turnover is generated by a single company – Paysera.

Zavisiene also delves into the reasons behind this shift, discussing the strict regulatory environment and its consequences. “Non-compliance with regulations applicable to Fintech companies has extremely severe consequences, such as high penalties or even revocation of the licenses.” These stringent measures have led to a decrease in the number of licensed fintech companies. Additionally, she describes the emerging trend of acquiring licensed companies, often when investors aim to maintain the target company’s existing business. “If all documents are well prepared during the overall acquisition process, dealing with the Bank of Lithuania might fit in a six-month period. However, if the plan is to change the business model of the target dramatically, the acquisition might take far longer and could become in principle the new licensing process,” she explains.

Lithuania Had Its Full?

Focusing on the road ahead, Bosaite says that she sees the changing landscape as an organic evolution. “The Lithuanian fintech community regards this evolving landscape as an organic shift within the market – Lithuania’s emphasis has transitioned from the quantity of market participants to the quality they deliver,” she says. “While this may pose greater challenges for new entrants and startups seeking entry, it also presents a remarkable opportunity for well-established, mature financial service providers to experience exponential growth.” Zavisiene chimes in saying that the change is already underway, particularly in the e-money and payment institutions sector. “The strategy of the regulator has switched from a rapid growth of the Fintech sector to an increase in the sector’s maturity,” she says. This shift, according to her, means that e-money or payment institution license holders “must establish robust governance arrangements, risk management processes, and procedures to identify and mitigate business risks.”

Finally, Baublyte-Kulviete offers a pragmatic view. “The hype cannot continue forever, and there are natural ups and downs. I find it very natural that the regulator has now less appetite for licensing more e-money and payment services providers,” she explains. “We do hope, however, that the fintech experience will be successfully extrapolated into other verticals, like WealthTech and crypto assets industry,” she concludes. ■



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INSIDE INSIGHT: INTERVIEW WITH GABIJA KUNCYTE OF COMPENSA LIFE VIENNA INSURANCE GROUP

By Andrija Djonovic

After several years working for law firms and on major energy projects, **Gabija Kuncyte** has been with **Compensa Life Vienna Insurance Group's** Lithuanian Branch as a Legal and Compliance Officer for over a year and a half. She discusses the evolution of in-house legal positions and the nuances of the legal industry in the Baltic region.

CEELM: Walk us through your career leading up to your current role.

Kuncyte: I've been in the legal sector for over two decades now. My journey began in private practice, where I spent my initial five years. As time passed, I received a proposal from a very large private company to join an energy project. The transition in-house was eye-opening. At that time, I didn't know there would be such a huge difference between working in a law firm and working in-house. In a firm, you delve deep into legal topics, but often without the insight into how your advice truly impacts the business and seeing how your legal advice is actually implemented, including if it does add value to the business or not. The in-house role, on the other hand, means you get to see the bigger picture and be directly involved in business operations.

After that energy project, I was involved in three other major ones in the country – the Klaipeda LNG terminal, the Gas Interconnection Poland-Lithuania (GIPL), and LitPol Link. However, after 15 years of significant experience in energy projects, I felt a bit of a burnout – these projects were quite intense and demanding, requiring immediate action, constant multitasking, and almost impossible deadlines. For me, work-life balance became a priority. This is when I joined Compensa Life – a part of the Vienna Insurance Group, a major player in the European insurance industry. I've been here for a year and a half, and I feel there is more of a balance in my life. I have both regional tasks and some European-level ones, and that is exactly what I always wanted. Therefore, I find it very easy now to decline employment offers from even very well-known local companies.

CEELM: You touched on this already but what was the biggest shock when transitioning to the in-house world? On the flip side, what was the most pleasant surprise?

Kuncyte: The most significant shock was realizing that legal knowledge alone wasn't sufficient. In-house lawyers must

deeply understand processes, possess at least some business and/or financial background, and grasp the intricacies of the business world. It's not just about legal advice but about seeing the broader impact on the company.

This was challenging but it also represented a pleasant surprise. In-house lawyers who understand and care about the business itself are valued every day. We are aware of, and a part of, all processes in the company, which is why we not only address legal questions, but also provide insights from a business perspective or approvals for important in-house projects. This is why it is somewhat of a trend in our local market that legal counsels become CEOs or deputy CEOs in companies. The main reason for this trend is that in-house lawyers are practically involved in all the processes of the business operations.

CEELM: How large is your in-house team currently, and how is it structured?

Kuncyte: Currently, our in-house team consists of four lawyers, including those specializing only in AML and data protection. The total number of lawyers in the Baltics is 11. We manage operations in the Baltic countries and work closely with all business lines daily.

CEELM: How do you decide if you are outsourcing a project or using internal/in-house resources?

Kuncyte: Our decision to outsource or use internal resources is based on three key criteria. First, if a matter is highly confidential and sensitive, such as tasks from the management board or shareholders, we tend to outsource it to maintain confidentiality. Second, for complex or specialized topics, like competition law, we may outsource when deep expertise and connections with institutions are crucial. Lastly, for urgent matters that require a significant workforce, we might opt to outsource to avoid overwhelming our internal team.

CEELM: When picking external counsel, what criteria do you use?

Kuncyte: We do consider formal criteria like conflicts of interest but personal reputation and personal recognition matter significantly in our small market. In addition to expertise, we value discretion, personal attitude, creative problem-solving, and a holistic approach. In smaller countries like Lithuania, reputation, and ability to provide a holistic and in-depth understanding of the particular business play a vital role.

CEELM: What has been keeping you and your in-house team busy over the last 12 months?

Kuncyte: Over the last year, we've seen a flood of new regulations, especially at the EU level. Not only they are large in quantity, but their complexity has increased. Regulations, like the GDPR and DORA, require an in-depth understanding. The DORA, for instance, delves into the technicalities of IT, but still, it is important for in-house legal professionals to fully understand its details. These regulations are becoming more detailed, demanding a profound grasp of their finer points. The challenge is to translate these complex regulations into practical, actionable guidelines for our company. In my role, I must ensure that we not only comply with these regulations but also understand them thoroughly to make informed decisions for business in advance.

Moreover, the pace at which new regulations are introduced is alarming. In the past, regulators seemed to coordinate their actions, but now they're acting more independently, sometimes making abrupt changes even at the EU level. This makes it increasingly challenging to stay ahead and maintain compliance.

CEELM: What do you foresee to be the main challenges for GCs in Lithuania/Baltics in the near/mid future?

Kuncyte: Looking ahead, our business is dealing with the repercussions of ongoing global issues, especially the war in Ukraine and other crises, such as those in Israel. These events are significantly affecting our clients' behavior and, in turn, our business operations. In the near future, I expect this heightened pace of regulatory change and global instability to continue impacting our workload.

As for the region itself, the geographic proximity to ongoing conflicts, such as the war in Ukraine, poses significant challenges for businesses. International companies operating here are reevaluating their presence and activities in light of increased risks. This presses us to look for more flexible and riskless options for our clients.

CEELM: Overall, considering the current challenges, how do you believe that the role of in-house lawyers is evolving?



Kuncyte: One emerging trend is the growing demand for in-house lawyers to take on more extensive roles as project managers and leaders. In the past, lawyers were primarily seen as just advisors who provided legal input once a project was already underway or even after it was already finished. However, companies are now recognizing the value of having legal professionals involved from the inception and design of projects. Legal experts are expected to offer insights and recommendations on various aspects, from legal compliance to risk management, data protection, sustainability, IT security, etc. In essence, the role of in-house lawyers is evolving into one that encompasses a more holistic perspective.

This shift reflects a broader transformation in the corporate world, where businesses are acknowledging the importance of having legal expertise integrated into their strategic decision-making processes. The demand for in-house lawyers to be more deeply embedded in the day-to-day activities of the company is increasing. We are all becoming more business consultants than lawyers actually. ■



**KNOW YOUR LAWYER:
DACE SILAVA-TOMSONE
OF COBALT**

Career:

- Cobalt Latvia; Managing Partner, Member of the Cobalt Baltic Management Board; 2012-Present
- Cobalt Latvia; Partner; 2001-2012
- Cobalt Latvia; Associate; 1994-2001
- Carroll, Burdick & McDonough Riga Office; Associate; 1992-1994

Education:

- Baltic Institute of Corporate Governance; Executive Education – Professional Board Member; 2012
- University of Latvia, Faculty of Law; LL.M.; 1998
- College of William & Mary Marshall-Wythe School of Law; LL.M.; 1996
- University of Latvia, Faculty of Law; LL.B.; 1994

Favorites:

- **Out of office activity:** Reading, walking, traveling to enjoy nature, motor-boating
- **Quote:** “The only permanent thing is change”
- **Book:** Too many to name, but from the latest: *I Confess* by Jaume Cabre

CEELM: What would you say was the most challenging project you ever worked on and why?

Silava-Tomsone: The *Zolitude* tragedy case was the most challenging ever due to the sheer number and volume of cases to manage, the complexity of technical issues involved, and the ethical aspects. It was the largest civil tragedy in the modern history of Latvia resulting in 54 deaths and much grief and anger. Defending one of the respondents in the cases was morally difficult due to public opinion. We had to explore the technical reasons for the collapse and explain a number of events that were pure coincidences not related to the collapse. Additionally, the case involved a number of novel issues underdeveloped in Latvian law such as the liability of a building owner and other persons involved for structural defects appearing after the warranty period.

CEELM: And what was your main takeaway from it?

Silava-Tomsone: As a business lawyer, throughout my career, I rarely had to consider the very essence of our profession: defending the client. The *Zolitude* tragedy was one of the cases that made me truly understand the calling of our profession: to leave no stone unturned in helping the client and to prevent the application of “mob justice.” Society and individuals often seem to be too eager to judge others while applying different standards to themselves. It is the role of lawyers on both sides to create balance and ensure justice.

Top 5 Projects:

- Advising Swietelsky AG as a part of the winning consortium in the international tender for the construction of the Rail Baltica station and related infrastructure at the Riga International Airport with a contract value of EUR 237 million;
- Advising DNB Bank in the process of combining its operations in Estonia, Latvia, and Lithuania with Nordea’s Estonian, Latvian, and Lithuanian operations to create Luminor Bank;
- Representing Tineo SIA – the owner of a trade center building – in multiple civil cases for moral damages, litigation against the insurers, contractual arrangements with the municipality, and other matters stemming from a collapse of the roof of the trade center building during which 54 persons perished (the *Zolitude* tragedy);
- Advising Latvian energy generation incumbent AS Latven-ergo on reconstructions of its power generation fleet: the Plavīnu Hydro Power Plant (HPP), the Keguma HPP, the Riga HPP, the Riga Thermo Power Plant (TPP) 1, and Riga TPP-2’s first and second units;
- Advising 21 banks operating in Latvia, including SEB Banka, Rietumu banka, DNB Nord Banka and others, in a cartel investigation and 13 banks in an appeal against the competition authority’s decision in connection with the payment settlement agreement and establishing local multilateral interchange fees.

CEELM: What is one thing clients likely don’t know about you?

Silava-Tomsone: My dream was to become an archaeologist, which I dropped for purely pragmatic reasons: there were few excavation sites in Latvia at the time when I had to make my final choice. However, I am still passionate about history, partly because I come from the very historic town of Kuldīga which has become a UNESCO World Heritage Site this year. My native Kuldīga is an amazing place – its community has worked for decades to preserve its heritage and educate young generations to understand and appreciate its history.

CEELM: Name one mentor who played a big role in your career and how they impacted you.

Silava-Tomsone: Girts Lejins has been my mentor since the start of my career, and continues to be so even now. Much of what I do today I have learned from him. I still remember the countless times I came out of his office with a detailed markup of my work and the long discussions we had on our people, the firm, and its development. He is still the person whose opinion I value the most when it comes to business, strategic, and ethical issues.

CEELM: What is the one piece of advice you’d give yourself fresh out of law school?

Silava-Tomsone: Attitude and passion are above all. Do what you do, and you will not regret it.

EXPERTS REVIEW: TAX

This issue's Experts Review section focuses on **Tax**. The articles are presented ranked by time (hours per year) needed to comply with tax law measures according to World Bank 2020 data. This includes the time taken to prepare and pay three major types of taxes and contributions: corporate income tax, value-added or sales tax, and labor taxes, including payroll taxes and social contributions.

Lithuania requires the least, with an estimated 95 hours per year, while Bulgaria needs the most: 441 hours.

Country	Hours per Year	Page
■ Lithuania	95	Page 49
■ North Macedonia	119	Page 50
■ Austria	131	Page 51
■ Romania	163	Page 52
■ Latvia	168.5	Page 53
■ Turkiye	170	Page 54
■ Moldova	183	Page 55
■ Croatia	206	Page 56
■ Serbia	225.5	Page 57
■ Czech Republic	230	Page 58
■ Slovenia	233	Page 59
■ Albania	252	Page 60
■ Hungary	277	Page 61
■ Montenegro	300	Page 62
■ Ukraine	327.5	Page 63
■ Poland	334	Page 64
■ Bosnia and Herzegovina	411	Page 65
■ Bulgaria	441	Page 66



LITHUANIA: PROPOSED TAX CHANGES BRING UNCERTAINTY AMONG TAXPAYERS

By Rokas Daugela, Tax Partner, Cobalt



Lithuania's tax system underwent a major overhaul in 2004 when the country joined the European Union. For almost two decades, its evolution has been slow-paced – one could even call it cosmetic.

Lithuanian businesses and individuals enjoyed one of the nominal tax rates in the European Union, with many favorable tax exemptions bringing the effective tax rates even lower than the nominal 15% mark.

There was, although, a short-lived tax reform in 2009 that saw a last-minute increase of taxes as a response to the global financial crisis, but the reform was abolished a year later, and Lithuania returned to the path of stability.

Over the years, some of the favorable tax exemptions were abolished, but, generally, Lithuania remained a low-taxation country. The first sign of this coming to an end was the 2020 parliamentary election when the newly elected majority set an overhaul of the Lithuanian tax system as one of the top priorities of the political agenda. This plan came to fruition almost three years later, delayed mainly due to the COVID-19 pandemic and the war in Ukraine. The reform seems to be coming in full force – virtually all categories of individual taxpayers would be affected if the reform were to be adopted as initially planned. Almost all categories of taxpayers would see an increase in their tax rate, in some cases nearly double the currently applicable rates. For example, dividends that are currently taxed at a 15% flat rate could see an increase to as high as 27%. The same increase is proposed for self-employed individuals. As one could expect, the reform was not greeted with enthusiasm.

There was a lot of criticism from various economic and demographic groups. The economic effect of the reform is still widely discussed, with some experts calling on the Lithuanian government to evaluate the side effects of such a sudden tax reform.

One of the effects could be a spike in tax-driven migration of high-net-worth individuals and self-employed professionals, a trend seen by many other high-tax countries of the European Union. The Lithuanian tax system has almost no tools to prevent

a tax-driven migration of individuals or at least to safeguard the Lithuanian budget from it. There are no exit taxes or any similar provisions in the Lithuanian tax system – administrative rules and procedures have not been developed for a long time and case law in this field is non-existent. All of this raises serious concerns about whether Lithuania will be prepared to deal with a growing number of tax emigrants, which is already increasing even without the tax reform.

Another area to be affected by the reform is estate planning and business succession. Lithuania is a relatively young country where many local businesses are still owned by founders. The last decade showed a growing number of cases of business succession where the new generation is taking over the reins of businesses while founders are stepping aside to enjoy their well-deserved retirement. Such a shift would typically be coupled with a transfer of shares, usually in the form of a tax-free gift. The proposed reform would introduce a tax on gifts between family members which would affect any case of business succession. Such 180-degree changes create a lot of uncertainty and tension in the market.

It seems now that the planned reform will not be adopted, at least not in its current form, with effect from 2024. But the changes are coming and Lithuanian businesses and business owners should prepare for this. And yet, preparation may not be as smooth as one would expect due to the growing attention and conservatism of Lithuanian tax authorities. For a couple of years now, Lithuanian tax authorities openly declared the shift in their focus to large private and corporate taxpayers, as well as complex reorganizations and other big-ticket transactions. It is best evidenced by the establishment of an internal task force to combat aggressive tax planning as well as a dedicated working group dealing with high-net-worth individuals. Even more so, while more experienced taxpayers used to seek obtaining a binding tax ruling as insurance against uncertainty, recent rulings issued by tax authorities show a trend of careful evaluation of not only legal provisions or business reasons concerning the transactions but also their short- and long-term effect on tax revenue.

This is why the proposed tax changes in Lithuania bring uncertainty among taxpayers. ■

NORTH MACEDONIA: THE 2022 DRAFT TAX REFORMS

By Ivica Jevtic, Managing Partner, and Marijana Andrikkj, External Tax Advisor, Tosic & Jevtic



Here, we will look at the draft tax reforms proposed by the Government of the Republic of North Macedonia in 2022 (Tax Reforms) that aims to ensure a fair, efficient, transparent, and modern tax system.

The Profit Tax Act (*Official Gazette North Macedonia No. 199 dated September 25, 2023*)

The main changes concern the exclusion of certain categories of expenses that, above a prescribed amount, were considered non-deductible expenses. They will now be treated as entirely non-deductible expenses – for example, expenses based on life insurance premiums paid by the employer on behalf of the employee as well as expenses for donations to sports clubs. Regarding reinvested profit, the Tax Reforms have not been fully adopted, only the provisions that include that if the taxpayer fails to substantiate their use of the tax exemption for investments in tangible assets such as real estate, plants, and equipment, as well as intangible assets like computer software and patents, to expand their business activities, they will be liable to pay five times the amount of tax that would have been due if the exemption had not been applied.

Regarding transfer pricing reports, the framework for preparing and maintaining them is more precisely defined. At the same time, an additional attachment is introduced to Annual Financial Statements, representing transactions between related parties.

Most provisions take effect upon publication in the Official Gazette but the changes mentioned above will only be applicable from January 1, 2024.

The Value Added Tax Act (*Official Gazette No. 199 dated September 25, 2023*)

The key change in the VAT act is the entirely new content of Article 14 which defines the place of supply of services. It will be applied from January 1, 2024. This should result in an alignment with EU directives where VAT treatment of online-delivered services is regulated differently than it was in Macedonian VAT law.

Other notable changes include the expansion of Article 2 and Article 6 with additional provisions regarding what constitutes the supply of goods and services. It defines the VAT treatment of value vouchers as an instrument that must be accepted as a means of payment, the solidarity liability of all persons in a related entity with regard to the tax owed, the introduction of a Tax Representative into the VAT system, and changes in the list of goods subject to a reduced tax rate of 5%.



The Solidarity Tax Act (*Official Gazette No. 199 dated September 25, 2023*)

This law is based on the principles of fairness, equality, and proportionality, according to which everyone is obliged to contribute to covering public expenses in accordance with their economic capabilities. The solidarity tax represents a one-time public tax for 2023 and is a source of revenue for the Budget of the Republic of North Macedonia. It is determined and paid under conditions of unforeseen and unfavorable economic circumstances. The taxpayer of the solidarity tax is the taxpayer of the profit tax in accordance with the Profit Tax Act that in the year 2022 earned a total income greater than MKD 615 million.

These amendments are aimed at aligning and harmonizing with European Union standards and best practices. Laws such as the Solidarity Tax Act are already in force in several countries in the region with different approaches but with the same purpose.

We maintain the stance that this tax should solely apply to businesses that gained advantages from different force majeure circumstances during the pandemic. However, as it stands now, it will also affect companies that merely boosted their profits through investments, without directly benefiting from the impacts of the COVID-19 pandemic. ■

AUSTRIA: THE START-UP PROMOTION ACT (START-UP-FOERDERUNGSGESETZ)

By Niklas Schmidt, Partner, and Karin Spindler-Simader, Consultant, Wolf Theiss



At the end of May 2023, the Austrian Ministry of Finance issued a new draft law. The *Start-Up Promotion Act* is intended to create a new regulation for start-up employee shareholdings that should apply to shares surrendered on or after January 1, 2024.

A start-up employee shareholding is to exist under the following conditions: An employer (i.e., not a third party) grants – within ten years of the end of the calendar year in which the company was founded – one or more employees (i.e., not necessarily all employees or a certain group of employees) shares in its company free of charge for objective, business-related reasons. The granting of shares only at par value is to be considered as a grant free of charge. Furthermore, the employer's company must fulfill the following requirements in relation to the financial year preceding the date of the granting of the shares: no more than 100 employees, no more than EUR 40 million in turnover, no full inclusion in consolidated financial statements, and no holding of more than 25% in the capital or voting rights by companies that are to be included in consolidated financial statements. Since start-up employee shareholdings are to be used for the purpose of retaining new employees, persons who already participate to a significant extent in the success of the company do not fall within the scope of the new regulation. Therefore, at the time of granting the shares, the employee must not directly or indirectly hold a share in the employer's company of 10% or more (or has held such a share in the years before). In the interest of strengthening the bond with the company, a sale or transfer of the shares by the employee *inter vivos* is only possible with the employer's consent. As a final precondition, the employee needs to declare in writing to the employer upon receipt of the shares that they wish to make use of this new regulation (with the consequence that the tax exemption of up to EUR 3,000 for employee shareholdings does not apply).

If there is a start-up employee shareholding, then the non-cash benefit – in deviation from the general rules – is not deemed to have accrued at the time the shares are handed over (and thus leads to “dry income” for the employee and the need for an immediate valuation of the shares). Rather, a taxable inflow occurs in the following situations: if the employee sells the shares

(to the employer or to a third party); if the employment relationship is terminated (an exception exists in the case of certain share types if subsequent taxation is ensured by the employer); if the restriction on transferability is lifted; if the employee's shareholding directly or indirectly exceeds 10% of the capital; if the employer is liquidated or if the employee dies; and, finally, if circumstances arise that would lead to a restriction of Austria's taxing right (e.g., a relocation of the employee).



The non-cash benefit from the gratuitous transfer is to correspond to the proceeds of the sale or – if no sale occurs – the fair market value. 75% of this amount (presumably less any acquisition costs of the employee) is to be taxed at a fixed rate of 27.5%. Apart from the case of the death of the employee, the prerequisite for the application of the flat tax rate is that the employment relationship has lasted at least three years and the inflow – except in the case of inflow through termination of the employment relationship – occurs after the expiry of five years from the time of the first transfer of a start-up employee shareholding to the employee. If these time limits are not fulfilled, 75% of the non-cash benefit will be taxed according to the progressive rate. The remaining 25% of the non-cash benefit should be taxed according to the progressive rate in any case.

The income taxable at a fixed rate of 27.5% is exempt from municipal tax and the employer's contribution. In the area of social insurance, the obligation to pay contributions in the current employment relationship is postponed until the actual sale of the shares or the occurrence of other circumstances, whereby this postponement is in any case limited to the duration of the employment relationship. In the case of the sale of shares during the current employment relationship, the proceeds of the sale shall be taken as the contribution basis, in all other cases – 30 times the maximum contribution basis. ■

ROMANIA: THE VAT DEDUCTION RIGHT ON THE ACQUISITION OF INTERCOMPANY SERVICES

By Cristian Velcu, Partner, Tuca Zbarcea & Asociatii Tax



The VAT deduction right is probably the most important topic in the VAT system of the European Union. This is also confirmed by the jurisprudence of the Court of Justice of the European Union, where it represents the most addressed subject.

Despite the significant number of court cases addressing the VAT deduction topic, many practical situations are still raising doubts, and new referrals are made recurrently to the Court of Justice of the European Union on it. The most recent one is from Romania (*Case C-527/23 Weatherford Atlas Gip*) and refers to the VAT deduction right for intercompany consultancy/administrative services with a supplier located in a country different than Romania.

Romania has a long practice of challenging the deductibility for such intercompany services, both for corporate income tax and for VAT. Even if, in practice, the facts can significantly differ from one case to another, there was a strong tendency of Romanian tax authorities to consider them as non-deductible, almost by default. Such intercompany services usually include legal, human resources, IT, accounting and finance, sales/purchases support/intermediation, and management. In addition, more specific services are encountered in many cases: research and development, quality support, industrial assistance, training, etc.

The main issue was treating the deductibility of expenses for corporate income tax identically to the deduction of VAT while national legislative provisions were different and while VAT is a harmonized tax in the EU with extensive jurisprudence at the level of the Court of Justice of the European Union. In addition, Romanian courts have developed an inconsistent practice with similar cases judged differently, assessing in different instances that there is and that there is no difference between corporate income tax and VAT.

During the years, there were many requests of companies facing tax litigations in Romanian courts against Romanian tax authorities to send a referral to the Court of Justice of the European Union. Surprisingly, all of them have been denied. Most of the time, judges considered that this is not a topic that requires the interpretation of the European Court, but one on which an ex-

tensive analysis of the documentation available for these services suffices.

Despite the existence of relevant mandatory jurisprudence, Romanian tax authorities have consistently rejected the VAT deduction right for such services. This was done for several different reasons – none of them aligned with EU VAT law. Among the lines of reasoning employed were: (1) the lack of sufficient supporting evidence means that the services might not have been rendered, (2) the acquired services are not used for the purpose of the economic activity of the beneficiary (but of the supplier), (3) the economic benefit cannot be demonstrated by the beneficiary, (4) the services are not necessary, (5) the activities are redundant with ones which can be performed by internal resources, etc. All these reasons are not valid from a VAT standpoint – the nature of the services being the essential factor to demonstrate the link with the economic activity of the buyer. The Court of Justice of the European Union has already confirmed in the past that most of these reasonings are not valid. Specifically, the result of the services is not relevant according to *Case C-334/20 Amper Metal Kft.* and supporting evidence of the services is not normally needed based on *Case C-430/19 C.F.*

Moreover, in many such cases, the approach of the Romanian tax authorities has breached important principles of EU VAT law, especially neutrality (the VAT incurred in the context of economic activities was a cost), the avoidance of distortion of competition (treating similar acquisitions with a different VAT treatment), and the independence of VAT rules (the specific rules are not linked with other legislations such as civil, accounting, direct taxes, and transfer pricing).

With the new *Weatherford Atlas Gip* case referred to the Court of Justice of the European Union, we expect that this long-lasting issue will come to an end. The decision of the court will likely be issued by the end of 2024. All current litigations on similar topics should benefit from the judgment of the court in Luxembourg. The expected approach that the court will take on this case will also make Romanian tax authorities change their approach in the future.

Lastly, the decision in this case could bring strong guidance across the EU on what is and what is not relevant to consider when analyzing the VAT deduction right on acquisitions of services. ■

LATVIA: CHANGES TO THE TAX CONTROL SYSTEM

By Sandija Novicka, Partner and Head of Tax, Cobalt Latvia



Amendments to the *Latvian Taxes and Duties Law* came into effect on June 30, 2023. The aim of these amendments was to enhance the efficiency of the tax control system.

Following these amendments, the number of tax control types has been reduced from five to two: tax control and tax audit. Tax control is a new procedure designed to identify and rectify relatively simple cases of tax non-compliance. The entire tax control procedure should not exceed four months. During this process, the taxpayer has one month to voluntarily rectify the situation (i.e., amend the tax returns and pay the missing portion of the tax amounts) or explain the situation and convince the tax authority that there is no tax non-compliance.

If this is not achieved, the tax authority is required to issue a tax invoice (i.e., an administrative act obliging the payment of missing tax payments) or initiate a tax audit if a more thorough investigation is needed. For more complex tax matters (e.g., transfer pricing), the tax authority is expected to use tax audits. The overall tax audit process remains largely unaltered.

In Latvia, the tax authority can collect any unpaid taxes within three years after the tax payment is due, while transfer prices can be examined for five years. Following the amendments, the five-year term will also apply to hybrid mismatch arrangements as well as other taxes affected by transfer price or hybrid mismatch adjustments.

It is now possible to enter into a settlement agreement with the tax authority before the initial administrative act requiring the payment of additional taxes is adopted by the tax authority. If a settlement agreement is concluded during the tax control process, the amount of the payable late interest payment is reduced by 85%. If a settlement agreement is concluded during the tax audit process, the amount of the payable late interest payment and fine is reduced by 60%.

Formally, the subject matter of the settlement agreement is not the payable tax amount. However, given that the missing part of the tax amount (i.e., type and scope of tax non-compliance) is still

under investigation during the tax control and tax audit process, it should be possible for the tax authority and the taxpayer to discuss the type and scope of the tax non-compliance that can be reasonably established and for which tax is payable.

The option to enter into a settlement agreement is also available during the later stages of the process (i.e., both during the appeal process within the tax authority and in court). However, in such cases, the available reduction for payable late payment interest and penalty depends on the stage at which the settlement agreement is concluded and it decreases with each stage of the dispute. Therefore, taxpayers are encouraged to carefully assess their prospects of winning a case. During the appeal stage, a settlement agreement regarding the payable amount of taxes is not possible. Therefore, taxpayers should concentrate on the arguments and evidence they present to the tax authority during the tax control or audit process, as well as during the appeal process within the tax authority.

The Latvian tax control system so far has not been structured in a way that promotes open and transparent negotiations between the tax authority and the taxpayer regarding the scope of tax non-compliance that can be reasonably established. As a result, taxpayers often consider the result unfair. This results in lengthy and costly litigation.

Therefore, it is hoped that the opportunity to have settlement agreements at the very beginning of the process (i.e., before a tax invoice or audit decision is issued) will make the system more efficient, providing the chance to have open and transparent discussions about the existence and scope of tax non-compliance. ■

TURKIYE: NEW TAX CONSIDERATIONS FOR M&A TRANSACTIONS

By Zahide Altunbas Sancak, Partner, Guleryuz Partners



Mergers and acquisitions (M&A) transactions are both legally and logistically complex. Tax planning is one of the key aspects in nearly all M&A transactions, especially in cross-border deals, as it can help to minimize the tax burden on both the buyer and the seller. Recent developments in Turkish tax law have introduced some new considerations for those transactions.

In particular, the taxation of share premium and the end of tax-exempt corporate spin-off for immovable property will have a significant impact on M&A tax planning, potentially increasing the tax burden for the parties.

Share Premium Paid in 2022 Will Be Taxed as Corporate Income

Following the disastrous earthquake affecting Turkiye in February, the Turkish Government moved to adopt certain disaster relief measures and tax increases in order to increase the capability for disaster relief expenditure in the area. In this respect, *Law No. 7440* including a variety of new fiscal provisions was published in the Official Gazette on March 12, 2023. Among the new rules in this omnibus law, the most controversial proved to be the adoption of a supplementary corporate tax for gains that are normally subject to tax exemptions and exclusions.

One of the normally tax-exempt items that will be taxed in accordance with *Law No. 7440* is the share premium paid in 2022, which will be regarded as corporate income and be taxed from 5% to 10% for the purposes of the supplementary tax. While share premium is historically a controversial topic in terms of taxation in Turkiye, it is normally tax-exempt as it is seen not as corporate income, but merely a part of the company's capital. This is also evidenced by the fact that it is specifically exempt from corporate income tax according to *Corporate Income Tax Code No. 5520* and is likewise recognized as a part of capital in *Turkish Commercial Code No. 6102* and *Capital Markets Law No. 6362*.

Moreover, the supplementary tax on share premium is also heavily criticized by tax professionals due to its unforeseeable and retroactive nature. The tax will be calculated including all share premium that is gained in the fiscal year 2022, meaning that a corporation that issued new shares with a share premium with a natural expectation of tax exemption will now have to pay the supplementary tax for the share premium in question.

The taxation of share premium in 2022 as corporate income tax is especially of note for venture capital companies and angel investors that acquired shares in Turkish companies, since capital increases with share premium are normally a highly preferred method of injecting liquidity into a company, and investors will have now found themselves in a situation where the target company will be liable to pay tax for their capital increases with share premium.

Corporate Spin-Off of Immovable Property Will No Longer Be Possible

Another major change in Turkiye's tax landscape is the abandonment of the possibility for tax-exempt corporate spin-off of immovable property. Currently, corporations can spin off their immovable property by transferring it to a new corporation where it is registered as a capital contribution for the new corporation, effectively meaning that it is possible to spin off and transfer immovable property without the need to pay value added tax, title deed fees, or stamp duties during the transfer.

This also enables shareholders to spin off any immovable property they may want to exclude from a potential acquisition with little to no cost, which is an extremely tax-effective method of corporate restructuring in preparation for acquisitions. However, with *Law No. 7456* published on July 15, 2023, it was provided that a tax-exempt spin-off of immovable property will no longer be possible from January 1, 2024.

With a relatively short timeframe until the law is effective, corporations that are planning to restructure in anticipation of a prospective acquisition or simply for organizational reasons will have a clear tax advantage if they can finalize their partial spin-off this year.

Conclusion

Recent changes in the Turkish tax landscape bring many questions and challenges, with a lot of their effects to be seen over time. However, one thing that is clear is that some of these changes will mean that tax planning remains an even bigger challenge to overcome for all parties involved in potential corporate transactions. ■

MOLDOVA: INCENTIVE TAX REGIME APPLIED TO IT PARK RESIDENTS

By Daniela Sipitca, Partner, ACI Partners Tax Accounting, and Carolina Parcalab, Legal Manager, ACI Partners



The IT sector, which is the most innovative area of the 21st century, requires the most innovative tax approaches. Moldova also considered the specific features that distinguish the IT sector and created a specific incentive tax regime for IT firms. In this regard, *Law on Information Technology Parks No. 77* of April 21, 2016, regulates the activity carried out by firms

that become IT Park residents and grants them the opportunity to apply for a *single tax* regime.

An IT Park represents a virtual organizational structure with no perimeter or physical area. It allows IT Park residents to operate remotely (by default), provided that an IT Park resident status is obtained. Any legal or natural person registered in Moldova who intends to carry out one or more activities in the IT sector generating 70% or more of the total sales revenue may become a resident of the IT Park.

The incentive tax regime granted to IT Park residents consists of a single tax of 7% of the monthly turnover, which must not be less than 30% of the average monthly salary per employee forecast by the government for that year. For instance, in 2023, the minimum amount of the monthly single tax is MDL 3,510 (30% of MDL 11,700), or approximately EUR 180 per employee. The single tax covers corporate income tax, personal income tax, compulsory state social security and health insurance contributions, local taxes, real estate tax, and tax for the use of roads by vehicles registered in Moldova.

By paying the single tax, IT Park residents no longer need to separately pay the specified taxes and contributions.

Another incentive is that employees of IT Parks residents have no obligation to declare and pay personal income tax to the Moldovan tax authorities, while they are entitled to benefit from social security and health insurance protection in the Republic of Moldova.

For an existing firm that has decided to obtain the status of IT Park resident, the respective incentives will start the following month.

Other taxes, such as VAT or WHT, will be applied according to the general taxation rules.

A VAT exemption with the right of deduction exists, however, in the case of a supply of IT services for export.

The accumulated input VAT on purchases of goods and services can be refunded within 45 calendar days. A WHT exemption may also exist in the case of various payments to non-residents (e.g., services, interest, dividends). Currently, Moldova has signed double taxation treaties with 50 countries, which provide for the possibility of applying lower rates or even a full WHT exemption, and there is the possibility of planning from the outset of this tax, including for firms in the IT sector.

The simplified tax regime applied to IT Park residents also implies simplified bookkeeping. In other words, IT Park residents have no obligation to keep the evidence of the deductible and non-deductible expenses and to follow the tax rules for depreciation deductions, compared to the companies applying the standard tax regime.

It is worth mentioning that the filing of tax returns is exclusively online, secured by signing with an electronic signature, which facilitates reporting to state authorities.

IT Park residents benefit from guarantees in case of changes in legislation. If new taxation laws are adopted, they will not apply to IT Park residents before 2025. However, this guarantee does not extend beyond the term of operation of the respective IT Park. In this case, the residents will continue to operate under the old taxation rules that were in place when they obtained the resident status.

IT Park resident status also offers incentives in the form of financial allocations under state programs and from the fund for supporting digital innovations and technology startups.

The incentive tax regime contributed to the continuous growth and development of the IT sector in Moldova in recent years. For example, in 2022, the turnover of IT Park residents increased by 48% compared to 2021 and amounted to over EUR 500 million, the number of residents increased to 1,343, and the total number of employees of IT Park residents amounted to 18,700 people. ■



CROATIA: ARE YOU READY TO MEET THE DEMANDS OF THE WORLD'S FIRST CARBON BORDER TAX?

By Tamara Jelic Kazic, Partner, Karmen Barbic, Associate, and Ronald Filipcic, ESG Manager, CMS



The European Union has initiated the world's first carbon border tax, called the *Carbon Border Adjustment Mechanism* (CBAM). The CBAM Regulation was ratified by EU co-legislators on May 10, 2023, and became legally effective on May 16, 2023 following its publication in the EU Official Journal.

The primary aim of the CBAM is to ensure that imports from third countries into the EU are subject to carbon charges similar to those applicable to EU businesses. A multifaceted initiative, the CBAM seeks to curtail carbon emissions and discourage companies from shifting their production outside the EU by providing incentives for the decarbonization of non-EU manufacturing processes. The CBAM will initially apply to imports of commodities whose production is carbon intensive and at most risk of carbon leakage. It will focus on direct emissions in six specific industries: iron, steel, cement, aluminum, fertilizers, and electricity.

Implementation of the CBAM

The CBAM will have a transitional phase (from October 1, 2023, until December 31, 2025) and a full implementation phase (from January 1, 2026, until December 31, 2034). Prior to the CBAM's entry into force, the European Commission adopted an implementing regulation that sets out the guidelines for the transitional period of the CBAM.

During this phase, Croatian importers must register as authorized CBAM declarants with Customs Authorities of the Republic of Croatia and they must also prepare a quarterly report with details on the total quantity of each type of goods, actual total embedded emissions, total indirect emissions, and the carbon price due in the country of origin. Failure to report or to correct inaccurate CBAM reports is subject to penalties, with the implementing regulation providing for penalties of between EUR 10 and EUR 50 per ton of unreported embedded GHG emissions.

The implementation phase is scheduled to commence on January 1, 2026. From then on, importers will need to become authorized declarants, i.e., obtain authorization for importing CBAM goods. They will also have to publish yearly reports which must show the quantity of CBAM goods imported into the EU in the preceding year and their embedded GHG emissions. Importers will also

have to submit CBAM certificates to cover the emissions declared.

What Will the Introduction of a Carbon Tax Mean for the Croatian Economy?

Many businesses in Croatia engaged in importing goods from third countries won't face significant repercussions with the introduction of the CBAM system starting on October 1 this year, especially during the initial transition phase. Nevertheless, these businesses will begin to experience more pronounced effects – both fiscal and administrative – as the CBAM is gradually implemented, particularly post-2026, or after the transitional period concludes.

The adoption of the CBAM system may lead to a possible decline in product imports from non-EU countries as a consequence of elevated import expenses, leading to higher overall trade costs. Consequently, there is a potential for reduced profit margins when selling within the European Union, encompassing all member states, including Croatia. The improved price competitiveness of EU and Croatian products offers opportunities for Croatian manufacturers to expand their market presence in the significant consumer market of the EU. This, in turn, has the potential to increase the revenue of these entities. Additionally, a positive outcome of the CBAM system's implementation is the decrease in imports from third countries, leading to increased exports of Croatian products to the EU market, which was previously less competitive due to reduced procurement and import from third countries. These shifts in export and import dynamics could contribute to a growth in Croatia's gross domestic product.

A negative consequence of the CBAM system's application to the domestic market is the significant possibility of price increases for end consumers, especially for those who allocate a higher portion of their personal income to purchasing products from third countries. This could potentially lead to short-term inflationary spikes if the CBAM system's impact is assessed independently of other potential inflationary factors.

The implementation of the CBAM application process will be the responsibility of the Customs Authorities of the Republic of Croatia. Further acts necessary for the implementation of the mechanism are currently being prepared (delegated and implementing regulations, national regulations). ■



SERBIA: UPDATES IN THE TAX SYSTEM

By Igor Zivkovski, Local Partner, Schoenherr Attorneys at Law



From personal income tax to compulsory social insurance and punitive measures for tax return submission failures, there is a plethora of tax legislation updates that are critical to stay apprised of in Serbia. Tax novelties are, as usual, numerous and perhaps complex to comprehend for someone who is not well versed in tax issues. However, those devoted to running a successful business can greatly benefit by keeping track of tax updates.

First, the *Law on Amendments to the Law on Personal Income Tax (Official Gazette of RS, No. 138/2022)* defines the tax treatment of freelancers, who pay taxes and contributions from income through self-taxation.

Specifically, a freelancer is a natural person who earns income from copyright and related rights and income based on the agreed fee for the work performed. Thus, the law determines the payment of taxes and contributions from income through self-taxation, and the income is defined as income from copyright and related rights and income based on the contracted fee for work performed, on which tax is paid through self-taxation.

Freelancers can opt for one of two new models for determining taxable income: *Model 1* – recognition of standardized costs of RSD 96,000, on a quarterly basis; or *Model 2* – recognition of standardized costs of RSD 57,900, on a quarterly basis, increased by 34% of the gross income realized in the quarter.

A freelancer has the obligation to submit a tax return and pay the tax within 30 days from the end of the quarter in which the income from the contracted fee was generated.

One of the novelties in this area relates to the fact that citizens who are engaged in some form of charitable work could be unpleasantly surprised once they receive money payments to their personal bank account from other citizens who support their work. The Tax Administration does not consider these payments, if they are frequent, as donations, but as taxable income. On the other hand, if they are not frequent, it could classify them as a gift and tax them on that basis. Either way, the tax authorities do not consider these types of income as “donations.” This is defined by the *Law on Personal Income Tax* and is classified under “other

income” of citizens. In the first case, 20% of the income tax is paid, and in the second, 2.5% of the received monetary gift above the amount of RSD 100,000. The solution for citizens engaged in non-profit work is registering a non-profit organization.

Lastly, starting with the annual tax on incomes generated in 2022, the annual personal income tax of citizens will be reported and paid through self-taxation.

Second, in accordance with the *Amendments to the Law on Contributions for Compulsory Social Insurance (Official Gazette of RS, No. 138/2022)*, the duration of benefits for new employees is being extended until the end of 2023. Namely, an employer that hires a new employee has the right to a refund of part of the paid contributions for mandatory social insurance at the expense of the employee and at the expense of the employer based on the salary of the new employee paid as of December 31, 2023. In addition, if the employer is classified as a micro or small legal entity as per the *Accounting Law* and establishes an employment relationship with at least two new employees, it has the right to a refund of 75% of the same contributions.

Another benefit for the employers is established by the *Amendments to the Law on Contributions for Compulsory Social Insurance*, which reduces the percentage of mandatory contributions for pension and disability insurance from 25% to 24% of the employee’s salary.

Lastly, the *Law on Amendments to the Law on Tax Procedure and Tax Administration (Official Gazette of RS, No. 138/2022)* determines the extension of the possibility of imposing punitive measures of banning the performance of business activities for a period of six months to three years. This refers to failure to submit a tax return and untimely submission of a tax return, non-calculation, non-payment, or late payment of tax obligations (VAT, contributions, income tax, etc.).

Fines for failure to submit a tax return are in the amount of 20% to 75% of the amount of tax owed determined in the tax audit, and not less than RSD 400,000 for a legal entity, or RSD 80,000 for an entrepreneur. If two misdemeanor reports are received due to late payment within two years, in addition to a fine, a ban on performing activities for a period of six months to three years will follow. ■

CZECH REPUBLIC: AN INTRODUCTION TO THE TOP-UP TAX

By Martin Svalbach, Head of Tax, PRK Partners



The Czech Republic is one of the first countries to have commenced the implementation process of a top-up tax into the tax system. The *Czech Top-Up Tax Act* is a transposition of an EU Directive (*Council Directive 2022/2523* of December 14, 2022) and is based on the OECD BEPS project *Pillar Two* initiative. It is definitely worth becoming acquainted with the basic principles of this new tax.

The primary motivation for this initiative is the minimalization of “unhealthy” competition among tax jurisdictions to lower their domestic corporate tax liabilities in order to attract foreign groups. Based on the consensus achieved among OECD countries, the appropriate effective rate of corporate taxation in a jurisdiction should not be less than 15%.

The basic concept of the top-up tax is the identification of jurisdictions where multinational enterprises achieve a low level of direct taxation. The level of taxation of a group in a jurisdiction is measured by the effective tax rate achieved by the group’s entities in that country. If the effective tax rate of a multinational group’s enterprises is below 15%, this shortage of tax below the effective taxation of 15% is applied to the ultimate parent entity in a portion that corresponds to the ultimate parent entity’s direct or indirect share in the profits of the low-taxed entity. This assumes that the jurisdiction of the ultimate parent company has implemented the top-up tax and the so-called “income inclusion” rule. If this is not the case, or where there is a lower-tier parent entity within the group that has significant minority interests as a result of which the portion of the top-up tax allocated to the ultimate parent would be low, the top-up tax is allocated to this lower-tier parent company.

If this approach does not result in the application of a total top-up tax to the group’s enterprises at the level of the parent entities, the remaining top-up tax is applied to all the group’s enterprises in jurisdictions that have implemented top-up taxes using the so-called “undertaxed profit” rule. A top-up tax so applied is allocated between the group’s entities based on their substance measured by the values of tangible assets and the number of staff.

This approach to the application of the top-up tax has been

adopted by the OECD because (i) many multinational groups have their ultimate parent entities in the most economically developed countries where the level of direct taxation of enterprises is relatively high and which jurisdictions are thus motivated to collect the top-up tax, (ii) ultimate parent entities could affect decisions on the allocation of activities among its group entities and in this way affect the overall tax burden on the group, and (iii) data on economic performance of group entities is collected at the level of the ultimate parent entities for the purpose of preparing the groups’ consolidated financial statements that can be used to determine the top-up tax using this system.

Despite this, because corporate tax systems differ substantially between jurisdictions (some offer certain tax benefits to promote certain industries or activities) and organizations of groups of companies differ substantially, the rules for determining the top-up tax are very complex. As a result, the determination of top-up tax liabilities for a group could be quite challenging.

That is why the application of the top-up tax is limited to *large* multinational groups (with annual consolidated turnover in excess of EUR 750 million). At the same time, government entities, non-profits, and international organizations are excluded from the top-up tax system as they perform public functions and are, as a matter of public policy, subject to low levels of corporate taxation. Among the excluded entities are also investment funds that operate as ultimate parent entities and certain real estate investment vehicles and their particular subsidiaries.

There is also another temporary exemption from the top-up tax rules for multinational groups that are in the earliest stages of their international expansion.

The EU directive and OECD *Pillar Two* initiative recognize that each implementing jurisdiction will implement the so-called “domestic top-up tax” in order to be allocated a top-up tax from low-taxed domestic businesses. The Czech Republic has made use of this option, as will probably other countries.

It is high time that the groups’ reporting processes be reviewed in order to ensure that the group tax department receives information relevant to the determination of top-up tax liabilities and reporting obligations. ■

SLOVENIA: ASSESSING THE REASONABLENESS OF THE PRIMACY OF FAMILY OVER ECONOMIC TIES IN DETERMINING AN INDIVIDUAL'S TAX RESIDENCE

By Janja Ovsenik, Partner, Senica & Partners



How tax residence is determined is one of the key tax issues that dictate in which country an individual's worldwide income will be taxed. Primarily, tax residence is determined by domicile and center of economic and personal interests. Uncertainty arises when the decision cannot be made on the basis of residence alone and the economic and personal interests are not in the same country.

If tax residency is not clearly defined, there is a risk of double taxation, which is why most OECD countries have signed international treaties on the avoidance of income taxation. Due to many recent cases, we are analyzing the treaty between the Republic of Slovenia and the Republic of Italy, which sets out the key criteria for determining residency status. In addition, a comparison will be made between Slovenian and Italian case law, which treat the same issues differently.

The first and most important criterion is permanent residence, defined in the *Commentary to the OECD Model Convention* (Commentary) as the place where the individual intends to return to after a holiday, business trip, education, etc. It is not necessary that the taxpayer owns the property and, conversely, ownership of the property does not necessarily mean that the owner has a permanent residence there. This was also the decision of the Italian Supreme Court, which in its judgment *26638/2017* of October 2, 2023, held that the house of the taxpayer's partner can also be considered as a permanent residence if it is permanently and without restriction available to them.

If the criterion of domicile is met by both or neither country, the center of vital interests will be taken into account as a further criterion. The latter is in the country with which the individual has the closest personal and economic relations. In the above-mentioned judgment, the court held that the center of vital interests is where the partner with whom the obligee shares a household resides and where the obligee also has significant business activities.

In judgment *No 6501* of March 15, 2015, the Italian Supreme

Court ruled that in the case of domicile in two countries, the original home takes precedence if the taxpayer has always lived there and has family and assets.

In practice, the weight given by tax authorities to personal and economic relationships varies from country to country. For example, the Italian Supreme Court, in the same judgment, states that personal ties do not take precedence over economic ties, but must be considered holistically with other evidence. However, Slovenian courts consider personal relationships to be more important than economic relationships for the determination of tax residence. In the Administrative Court's judgment *II U 299/2016-10* of August 29, 2018, the elements of co-ownership of real estate, temporary residence, and the fact that the partner and children live in Slovenia were found to be more important than the elements of employment, insurance, identity documents, and membership in various interest groups in a foreign country.

If the country of tax residence cannot be determined even on the basis of the center of vital interests, the habitual residence, which is in the country where the individual is more often present, prevails. Although the element of nationality may also be decisive, in Slovenian case law, it most often serves only as a supporting argument. Ultimately, if there is an international treaty and several countries consider an individual to be their tax resident, the countries must agree on this through a mutual agreement procedure.

In determining the country of residence, the criterion of domicile is, therefore, the primary criterion, while in any further assessment between economic and personal interests, the latter prevails according to Slovenian case law, although the commentary emphasizes that a holistic approach be applied to the determination of the center of vital interests, where economic and family ties are taken into account to the same extent. ■

ALBANIA: NEW INCOME TAX LAW TO TRIGGER POTENTIAL MARKET DISTORTIONS

By Aigest Milo, Co-Managing Partner, and Sara Kraja, Associate, Kalo & Associates



“Taxation according to income is the most effective instrument yet devised to obtain just contribution from those best able to bear it and to avoid placing onerous burdens upon the mass of our people.” – Franklin Roosevelt.

The Albanian income tax legislation has undergone a radical change with the adoption of the *Income Tax Law* on May 30, 2023 and the related *Implementing Instruction* on September 8, 2023. The new legislation represents a more comprehensive regulation of income taxation than the previous one, which was long overdue. The previous *Income Tax Law*, which dates back to 1998, had clearly failed to keep pace with current economic developments and provided band-aid solutions rather than mitigating the challenges.

The new *Income Tax Law* elaborates on the concepts presented in the previous law and introduces new principles and treatments, including, but not limited to, the following:

New Personal Income Tax Rates

Self-employed and registered entrepreneurs will be taxed at 15% on annual taxable profits up to ALL 14 million and 23% on amounts exceeding this threshold. The 15% rate won't apply until December 31, 2029, maintaining a 0% income tax rate on profits up to ALL 14 million for the above category, except for a group of self-employed persons engaged in professional activities (so-called “liberal professions”), which will be further decided by the Council of Ministers.

In-Kind Income Will Become Taxable

A significant change in the *Income Tax Act* is the inclusion of income in kind as taxable income, which is assessed at its market value unless otherwise provided by this act or by sub-legal acts enacted for its implementation.

Digital Assets Are Taxable Under New Law

In addition, the law outlines the tax treatment of digital assets, stating that taxable income from investments in these assets is determined by the difference between their sale value and their purchase value.

New Guidelines for Business Reorganization

The treatment of business reorganizations is intended to promote growth, as the transfer of assets during the reorganization is not subject to taxable capital gains, except for cash payments made by the acquiring company in excess of a specified amount, which should not exceed 10% of the nominal value of the shares issued or transferred. The transfer of assets abroad is subject to a 15% tax rate, and a change of residence abroad triggers the obligation that the assets are considered sold at their market value on the day of the transfer so that any capital gains taxed upon the transfer of assets abroad won't be within the jurisdiction of the Albanian tax authority.



Transfer of Shares Taxation

The transfer of shares is taxed in companies whose activity includes: the rights of use of land and sea, the telecommunications sector, or operating a financial institution. Profits resulting from the indirect sale or transfer of assets from Albania, as well as shares in such assets, are now subject to capital gains tax in Albania.

Taxation of Inheritance, Gifts, and Games of Chance Income

The new law regulates the taxation of inheritance, gifts, and gambling income for Albanian residents who receive such income in the country or abroad and for non-residents who receive such income from Albanian sources.

The new law has caused a great deal of debate among practitioners, who are considering an appeal to the Constitutional Court against it for violating the freedom of economic activity and for being disproportionate since it differentiates taxation not based on income but on the type of activity. Despite its positive aspects in addressing some issues, the main concern is that its adoption without considering the opinion of interested groups will lead to a further distortion of the market. In a country where the official tax evasion rate is quite high, further complexity of the tax system may have a further dissuasive effect on the formalization of the economy. ■

HUNGARY: TENDENCIES IN TAX PROCEDURES

By Orsolya Kovacs, Partner, Nagy & Trocsanyi



I've always been very interested in trends and statistics, and recently have been looking at potential trends in applications for a legal award. Based on the call for submissions, you can apply in six categories, which include, of course, very trendy topics such as data protection, digital solutions, and ESG, the more traditional ones of M&A and intellectual property, but for the sixth consecutive year, there is a tax law category. Moreover, not only does such a category exist, but the number of applicants is outstanding.

Except for one, the applications with recognizable content are stories of successes in tax procedures. At the same time, all these successes represent another real success in light of the statistics published by the Hungarian tax authorities.

In 2020, according to the published tax authority statistics, 5,498 ordinary appeals and objections were submitted against the decisions made at the first instance (6,158 including deferred applications), of which 5,447 substantive decisions were made (4,859 qualified the decision of the lower authority as legal). The success rate of the Hungarian tax authority was 89.1% in this phase. At the same time, the success rate of the tax authority was 77.6% in first-degree legal proceedings against final decisions (numbering 2,490), and the success rate of the tax authority was 70.5% for 283 judgments passed by the Supreme Court (Kúria) (against the final decision of the first-instance court).

In 2021, the numbers are similar: 6,384 ordinary legal remedies were submitted to the second-level tax authority; out of 5,782 substantive decisions, 5,125 considered the tax authority's decision to be legal – a success rate of 88.5%. At court stages, the success rate of the tax authority in first-instance proceedings was 77.8% for 873 judgments and 71.3% for 248 judgments before the Supreme Court.

In 2022, 5,055 (including 5,526 deferred appeals) were submitted to the second-level tax authority, which considered the tax authority's decision legal in 87.7% of 5,122 substantive decisions. At court stages, the success rate of the tax authorities in first-instance proceedings was 79.8% for 640 judgments and 62.2% for 197 judgments before the Supreme Court.

At the same time, these numbers are nuanced by several aspects. First, the number of legal remedies submitted by taxpayers and, as a consequence, the number of judicial proceedings, is constantly decreasing. By this I mean not only that the number of judicial reviews is very low compared to the legal remedies at the tax authority stage, but also that their number is decreasing compared to the previous year.

Second, the other side of the tax authority's case wins, the taxpayer's case wins, are almost never final case wins. In fact, either a decision is made instructing the tax authority or the court proceeds with a new procedure – and the result of repeated procedures presumably increases the tax authorities' case success rate. For example, in 2022, out of 640 judgments, 511 upholding and 85 ordering new proceedings were legally binding decisions, 54 out of 197 judgments at the Supreme Court were upholding and 46 decisions made the tax authorities and 38 made the courts binding to a new procedure.

Third, lawsuits for compensation for damage caused by public administration are also initiated - but an extremely small number. In 2020, 11 lawsuits for compensation for damage caused by public administration were initiated or were pending against the Hungarian tax authority – five lawsuits were concluded: in two cases, the tax authority won, and in three cases, the trial was terminated. In 2021, nine such lawsuits were ongoing and one was closed – in which only a fraction of the claim was awarded to the taxpayer. In 2022, six such lawsuits were initiated – in five of those cases, rejection judgments were reached, and in one case, the Hungarian tax authority undertook to pay HUF 3 million (approximately EUR 7,720) as part of a settlement.

Finally, as the application materials referred to in the first paragraph of the article also indicate: in more and more cases, the claims submitted by taxpayers contain – in the case of harmonized areas of law – a motion for a preliminary ruling and/or a motion for a decision by the Constitutional Court. If we look at the statistics on this, during 2020-2023, there were 16 Hungarian tax law-relevant preliminary ruling procedures. There is also a range of tools available for the involvement of the Constitutional Court, however, taxpayer complaints leading to results are very rare.

The only question from me then: Are the trends the same in other countries? ■

MONTENEGRO: A FAVORABLE TAXATION ENVIRONMENT

By Sasa Vujacic, Managing Partner, Law Office Vujacic



Excellent economic independence, monetary stability, and a steady tax structure in Montenegro, together with the Government's customs and fiscal incentive measures, are attracting many foreign investors.

The national tax rates of Montenegro are the most competitive in Europe and are based on a modern, flexible tax structure.

The currency used in Montenegro is the euro, even though the country is not a member of the EU and there is no foreign exchange control.

Montenegro has signed many taxation treaties with countries on income and property that regulate double taxation, and there are 44 taxation treaties in force.

Taxes are payable in Montenegro by individuals and companies and are applicable to both residents and non-residents. The subject of taxation for a resident is the income they generate in Montenegro and outside of Montenegro, whereas the subject of taxation for a non-resident is the income they generate in respect of activities performed through a permanent place of business in Montenegro.

Montenegro had a flat rate tax structure with a 9% tax rate on both personal and corporate income until the end of 2021, but tax legislation has been amended in the last two years with the intention of adjusting the local fiscal system to European Union standards by introducing a progressive tax system.

Despite the introduction of a progressive tax system, Montenegro's tax rates are still lower than those in other European nations.

Taxable income comprises income from employment, business and professional income, investment income (dividends, interests, and royalties), and income from immovable property.

Salary and income of entrepreneurs are subject to progressive tax rates as follows: (a) a 0% tax rate is applied for a monthly salary of up to EUR 700 or for an annual entrepreneur's income of up to EUR 8,400; (b) a 9% tax rate is applied for a monthly salary between EUR 701 and EUR 1,000 or for an annual entrepreneur's income between EUR 8,400 and EUR 12,000; and (c) a 15% tax

rate is applied for a monthly salary over EUR 1,000.01 or for an annual entrepreneur's income over EUR 12,000.01. There is also an additional income tax charged by Municipalities – a surtax. The rate of the surtax is between 13% and 15%.

Dividends, interest income, capital gains, and income from immovable property are taxed at a flat rate of 15%.

Company income tax is also progressive with the tax rates between 9% and 15%. Specifically, (a) for an annual income of up to EUR 100,000, the tax rate is 9%; (b) for an annual income between EUR 100,000.01 and EUR 1.5 million, the tax rate is EUR 9,000 plus 12% of the amount over EUR 100,000; and (c) for an annual income over EUR 1.5 million, the tax rate is EUR 177,000 plus 15% of the amount over EUR 1.5 million.

The value-added tax (VAT) rate in Montenegro is 21%, with a reduced tax rate of 7% for certain suppliers (bread, milk, books, medicines, etc.) and a 0% rate for certain exemptions (export of goods, supply of gasoline for vessels in international traffic, etc.). VAT is calculated and paid on a calendar month basis.

Real-time fiscalization and electronic invoicing have been introduced in Montenegro as key components of its tax administration system.

Tax reforms also include an amendment of the real estate transfer tax which will be applicable from January 1, 2024, which introduces a progressive tax rate depending on the estimated market value of the real estate. Specifically, for an estimated market value of less than EUR 150,000, the tax rate applied is 3%. For an estimated market value over EUR 150,000, the tax rate applied is EUR 4,500 plus 5% of the amount over EUR 150,000.

Owners of the real estate in Montenegro are also required to pay an annual property tax. The rate for the annual property tax is proportional and ranges from 0.3% to 1% of the market value of the real estate. The amount can be increased in the case of a secondary apartment to 1.5% and, for undeveloped land, up to 5%.

Although Montenegro is not a tax haven, with favorable tax rates, it is advantageous for all investors to choose to establish a business in Montenegro. The modifications of the tax system in Montenegro are important not only for the fulfillment of the requirements for accessing the European Union but also because they make it easier for foreign investors to adapt to it. ■

UKRAINE: TECHNOLOGICAL INNOVATION IN TAXATION

By Vitaliy Odzhikovskyy, Partner, Kateryna Utiralova, Senior Associate, and Ivan Chopyk, Associate, Sayenko Kharenko



In light of the ongoing war with Russia, Ukraine is leveraging technological innovations to fortify its taxation system, ensuring efficiency and transparency. Two notable initiatives – electronic residency and electronic excise tax stamps – will transform how business is conducted and taxes are collected in the country.

Electronic (Tax) Residency: A Gateway for Foreign Entrepreneurs

One of Ukraine's initiatives is the introduction of electronic (tax) residency for foreigners, which promises a streamlined approach for foreign entrepreneurs seeking to engage in business in Ukraine.

The project offers a unique status to foreigners, allowing them to conduct business within the country's borders without a physical presence. This opens the doors to international entrepreneurs, making it easier for them to establish and operate businesses in Ukraine. Registering as a sole proprietor is a straightforward process that does not require a physical presence in Ukraine.

One of the most attractive features of electronic residency is the favorable tax regime it offers to foreign entrepreneurs. They are subject to a flat tax rate of 5% on their revenue within the limits of approximately EUR 200,000 per year (the limit increases yearly). The tax rate is set at 15% for income generated beyond this threshold. The flat tax rate allows to thrive for those businesses that do not have enough tax-deductible expenses to reduce tax base on the regular corporate income tax system. Also, the tax administration process is simplified, with banks serving as tax agents responsible for withholding and remitting taxes directly to the state budget.

Administrative processes for electronic residents are very user-friendly. All documents and correspondence with the State Tax Service are conducted electronically, and payments are made electronically, reducing bureaucratic red tape and enhancing efficiency.

The introduction of electronic residency couldn't have come at a more crucial time for Ukraine. With the nation navigating a challenging war effort, fostering an environment that welcomes foreign entrepreneurs proves Ukraine's resilience and commitment to economic growth.

Electronic Excise Tax Stamps: Enhancing Transparency

Ukraine has introduced electronic excise tax stamps as part of its broader digital transformation efforts to boost transparency and accountability in excise tax collection.



Electronic Excise Tax Stamps, often called "e-stamps," are digital markers affixed to excisable goods, including alcoholic beverages, tobacco products, and e-cigarette liquids. These digital stamps enable authorities to track the movement of these products from manufacturers and importers to consumers. This facilitates the monitoring of tax payments and ensures the legality of product origins, a feature accessible to every citizen.

Manufacturers and importers can generate e-stamps within the e-Excise digital traceability system and apply them to individual bottles of alcohol or packs of cigarettes. These stamps, equipped with a two-dimensional DataMatrix code, are resilient, remaining readable even in the face of surface damage.

E-stamps will foster seamless electronic interactions between state bodies and business entities, further streamlining the tax collection process.

With these innovations in place, Ukraine is poised to increase state budget revenues from excise taxes and curtail the shadow markets for tobacco and alcohol products. E-stamps are a pivotal step toward a more transparent and efficient taxation system, showcasing Ukraine's commitment to digital transformation despite challenging circumstances.

A Resilient Path Forward

In a time of adversity and uncertainty, Ukraine's commitment to embracing technology to strengthen its taxation system is commendable. Electronic residency and excise tax stamps represent a move toward efficiency and transparency and a signal to the world that Ukraine is open for business, even in the face of war. These innovative initiatives will benefit the government through increased tax revenues, empower entrepreneurs, boost economic growth, and ultimately contribute to a more resilient and prosperous Ukraine on the global stage. ■

POLAND: NATIONAL E-INVOICING SYSTEM – A REVOLUTION FOR VAT PAYERS

By Cezary Przygodzki, Partner, and Mateusz Machalski, Counsel, Dentons



The summer of 2024 will mark the starting point of a revolution for VAT payers in Poland. Following global and EU trends, Poland will introduce mandatory structured invoicing for B2B transactions.

From July 2024, all invoices issued under Polish VAT rules will be issued through the Polish tax administration's system, the KSeF (National e-Invoicing System), and will no longer be issued and sent directly to contractors. The new system will cover all B2B transactions where the seller is established in Poland or has a fixed establishment in Poland. This requirement also applies to invoices issued to foreign entities, but since foreign entities will not have access to the system, sellers will need to provide them with a visualization (with a QR code) of the invoice that is within the system (e.g., in pdf).

The invoice will be issued in a special structured form containing more than 300 elements, which means that it will no longer be possible to issue invoices in paper or electronic form, except in special situations, such as system blackouts.

The new rules will apply without any phased implementation. They will be applicable to all VAT taxpayers with a registered office or fixed establishment in Poland, regardless of whether the seller is a large company or a natural person.

For some categories of VAT-exempt entities and for transactions subject to VAT exemption (e.g., financial services), the use of the system will be postponed until January 2025. Nevertheless, these entities will receive structured invoices from July 2024, regardless of whether they are exempt or not, so in practical terms, those entities will be affected by the system from next summer.

Failure to comply with the obligations may result in sanctions of up to 100% of the amount of VAT shown on the invoice, or 18.7% of the gross amount of the invoice (if no VAT is shown on the invoice). The rules for the implementation of these sanctions will also be postponed until 2025.

All entities affected by these requirements (including purchasers affected by the new rules, such as foreign entities with a fixed establishment in Poland that receive invoices with Polish VAT) will need to make the necessary updates to their ERP systems and change their business procedures in order to be able to issue

and receive invoices from Polish entities. Such changes may include assigning different access rights to people who are authorized to enter the system and those who are authorized only to verify invoices.



How Businesses Should Prepare for the Change

First, despite the fact that the regulations will mainly affect companies' finance and billing systems, the changes will also have a direct impact on their core business. In the worst-case scenario, if the relevant changes are not implemented, business operations will be halted as it will not be possible to issue invoices and thus collect payment from buyers. Therefore, both finance teams and those responsible for the core business itself should be involved in the implementation.

Second, since the use of the new system is only applicable to foreign entities with a fixed establishment in Poland, it is more important than ever that companies are clear as to whether or not they have a fixed establishment. Since the rules regarding fixed establishment are notoriously complex, it may be advisable to seek legal counsel. On the other hand, foreign entities without a fixed establishment should agree with their vendor on how the visualization of the invoice will be sent.

Moreover, as tax authorities will have direct and continuous access to the invoices, they will be able to verify the correctness of the invoices issued without the need for separate tax proceedings.

The new invoicing system triggers some problematic situations that the taxpayer will have to face. For example, one of the biggest concerns being discussed in the market is the documentation of expenses incurred by employees on behalf of the taxpayer. From July 2024, an employee will no longer receive an invoice (on paper or by email) to include in their expense claim. Rather, the vendor will invoice the company via the system. Without additional discussions between the vendor and the buyer about the information presented on the invoice, the buyer will not be able to determine which employee has borne such costs. Such problematic issues can present significant challenges in the practical implementation within organizations. With little time left to implement the relevant changes, it remains to be seen how these challenges will be addressed. ■

BOSNIA AND HERZEGOVINA: SPECIFICS OF THE TAX SYSTEM

By Adi Ibrahimovic, Managing Partner, and Leila Salijevic, Attorney at Law, Ibrahimovic & Co



The first thing that comes to mind when discussing the tax system in Bosnia and Herzegovina is the complexity of the regulations governing the practical implementation of tax laws. This complexity stems from constitutional provisions that regulate the jurisdiction of institutions at the level of Bosnia and Herzegovina, entities, or even cantonal authorities.

Therefore, for a better understanding, it is essential to make a clear distinction between direct taxes (income of individuals, profit of legal entities, property) and indirect taxes (VAT, excise taxes).

VAT is regulated by legislation adopted by the legislative body of Bosnia and Herzegovina, and it is applied and monitored uniformly throughout the territory of Bosnia and Herzegovina by the competent administration authority – the Indirect Taxation Authority. The tax system in Bosnia and Herzegovina is specific and single-rate. The VAT rate is 17% of the tax base for all taxable goods and services. According to the *Law on Value Added Tax of Bosnia and Herzegovina*, a taxpayer is only an entity that has a turnover exceeding BAM 50,000 in one year. There is an intention and initiative by economic entities operating in Bosnia and Herzegovina to increase this threshold for becoming VAT taxpayers, but authorities have not yet made a decision on this request. Nevertheless, the *Law on Value Added Tax in Bosnia and Herzegovina* exempts certain transactions from paying VAT, such as activities in the public interest, financial and monetary services, certain cases of imports and exports of goods, international transport, and specific exemptions determined by law.

Last year, the legislative body adopted amendments to the *Regulation on the Implementation of the VAT Law*, allowing exemptions from paying this tax obligation related to activities in free economic zones. The amendments pertain to (a) an exemption from paying VAT for the use of goods (except for energy sources such as electricity and gas) in free zones for the production and/or further sale of goods intended for export from B&H; (b) an exemption from paying VAT on equipment, machinery, and tools used in free zones for the production and/or further sale of goods intended for export from Bosnia and Herzegovina; and (c) an exemption from paying VAT for all services provided to users of free zones directly related to the import of goods into free zones and the construction of facilities intended for activities in free zones. The aforementioned regulation was necessary

because the law on VAT imprecisely and ambiguously regulated the treatment of goods/services in free zones and the performance of activities in such specific zones.

Direct taxes are regulated at an entity level (Republic of Srpska and the Federation of Bosnia and Herzegovina) and there are differences in the tax treatment of income among them.

In all three entities, the tax rate for income tax and profit tax is 10% of the tax base. The proper application of the provisions of the *Income Tax Law* or *Profit Tax Law* is monitored by the Tax Authorities of the entities or the Brcko District of Bosnia and Herzegovina.

Property tax and real estate transfer tax are regulated at the cantonal level in the Federation of Bosnia and Herzegovina, while in the Brcko District of Bosnia and Herzegovina and in the Republic of Srpska, only property tax exists, and real estate transfer tax is not regulated. Therefore, properties in these areas are transferred tax-free except in the case of the purchase of newly constructed buildings, where there is an obligation to pay VAT at the aforementioned rate. In the Federation of Bosnia and Herzegovina, the real estate transfer tax rate ranges up to 5% for taxable transactions.

The tax system in Bosnia and Herzegovina is relatively favorable compared to tax rates prevalent in Europe and elsewhere, considering the income that taxpayers are not obligated to pay tax on.

It should be noted that in Bosnia and Herzegovina, there is no tax on dividend income, regardless of whether the recipient of such income is a natural or legal resident. On the other hand, a withholding tax on dividend income earned in the Federation of Bosnia and Herzegovina or the Republic of Srpska must be paid by non-resident taxpayers. There is no such obligation in the Brcko District of Bosnia and Herzegovina.

There are differences in the entity tax laws and the tax law of the Brcko District of Bosnia and Herzegovina concerning the determination of income/expenditures as well as allowances. Consequently, despite the same tax rate, the economic burden on taxpayers, considering different rules for determining the tax base, is not the same throughout the territory of Bosnia and Herzegovina. ■



BULGARIA: A DEEP DIVE INTO TAXATION OF CRYPTO-ASSETS

By Ivan Gergov, Partner, and Anna Philcheva, Associate, CMS



The sweeping digital transformation has significantly changed the economic and financial landscape, and at the heart of this change is the emerging phenomenon of cryptocurrencies. With this innovative fusion of finance and technology, the pertinent question of how to tax these new assets arises. Bulgaria, like its global counterparts, is grappling with the complexities of this issue. Dive in for an in-depth

look at Bulgaria's approach to taxing crypto assets.

Setting the Scene: Bulgaria's Legislative Approach

Unlike some countries that have developed specific laws tailored to crypto taxation, Bulgaria has chosen to apply its existing tax laws to the world of digital assets. In other words, Bulgaria doesn't have a separate law for the taxation of cryptocurrencies. Instead, it treats them in the same way as traditional financial instruments. This broad stance helps industry participants by avoiding the often complex crypto-specific terminologies and, in turn, provides clarity on tax liabilities, promoting transparency for all stakeholders.

From Digital to Traditional: Taxing Crypto Conversions

When a Bulgarian citizen converts their cryptocurrency holdings into traditional currencies such as dollars, euros, or pounds, specific tax rules apply. Individual traders fall under the jurisdiction of the *Personal Income Tax Act*. Corporations and other business entities, on the other hand, fall under a different regime. These entities – whether startups or established businesses – must rely on the corporate tax framework for clarity on their cryptocurrency operations.

Beyond Mere Currency: Crypto's Tangible Interactions

An inherent feature of cryptocurrencies is their exchangeability. Whether for products, services, or the exchange of one cryptocurrency for another, the tax consequences remain the same, reflecting Bulgaria's commitment to consistency and predictability.

Casual Versus Professional: Defining the Line

In the realm of cryptocurrency trading, the distinction between hobby and professional activity can be blurred. But Bulgaria's National Revenue Agency (NRA) provides clarity. The frequency and nature of transactions determine their categorization. Dealing with cryptocurrencies more than a few times a year? You're now

in the realm of professional trading, which is subject to a 15% tax rate. This well-defined boundary simplifies tax obligations for residents.

Navigate the Ups and Downs: Losses and Gains

Crypto trading is often characterized by its volatility. With fluctuations come profits and losses. For those hoping to reduce their tax liability by offsetting gains against losses, it's important to be aware of Bulgarian policy. Only losses from the current year can be used. Losses from previous years cannot be carried forward, making timely and strategic planning essential.

From Cryptoart to Sports Cards: The World of NFTs

Non-fungible tokens (NFTs) are undoubtedly one of the most talked about innovations. Bulgaria's approach to these digital collectibles? It treats NFTs like regular cryptocurrencies. Both fall under the broad umbrella of "financial assets" for tax purposes.

Mining and Staking: Diving Deeper

Crypto mining is no small matter in Bulgaria, requiring a tax rate of 15%. This is due to the NRA's view that mining is an economic activity. Similarly, in the world of staking, the nuances of Bulgarian taxation are evident. Regardless of whether you are a validator or a delegator, taxes are only due on the sale of the staked tokens.

A Broader Perspective: Other Crypto Activities

Bulgaria's comprehensive tax guidelines cover various crypto activities such as farming, futures, and lending. Irrespective of the specific nature of the crypto venture, there remains an unwavering need to declare any income derived from these sources during the tax year.

Conclusion: Bulgaria's Comprehensive Vision

While rooted in traditional tax principles, Bulgaria's approach is clearly holistic. It provides clarity for those navigating the multifaceted world of digital assets. As the crypto landscape experiences unprecedented growth, it's important for enthusiasts and professionals alike to stay abreast of local regulations and continually engage with tax experts to ensure they sail smoothly through these digital waters. ■



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