

**UAB Novaturas, the biggest travel organiser in the Baltic States, has attracted millions worth investments from Enterprise Investors, one of the biggest private capital investment groups in this region.** On 1 December 2007, Novaturas concluded the transaction regarding the sale of the control shareholding of the company. During the recent seven years this has been the biggest transaction in the Lithuanian service sector, apart from retail trade, banks and telecommunications. Our law firm represented 14 sellers of shares. Žilvinas Zinkevičius, Simona Oliškevičiūtė and Agnė Jakaitė worked on the transaction.

**December 5 was the day of successful closing of the transaction of Axellus, company of the Norwegian business group Orkla.** The transaction was closed upon receipt of the Latvian Competition Council clearance. Dovilė Burgienė, Sandra Prichožaj, Inga Visockytė, our colleagues from Estonia and another law firm from Latvia were legal advisers in this transaction.

**Our law firm represented the Norwegian IT company Ementor ASA in the share acquisition transaction completed on 17 December this year by signing agreements on acquisition of shares in Sonex Group, one of the largest IT infrastructure companies in the Baltic region.** Sonex Group has 400 employees in Lithuania, Latvia, Estonia and Russia. The project was led by Ramūnas Petravičius, attorney at law of LAWIN Vilnius. A team of other 10 lawyers, all of the same Lithuanian LAWIN, worked on the transaction as well as the LAWIN lawyers from Riga and Tallinn. Marius Juonys from Vilnius office advised on competition matters.

**Lideika, Petrauskas, Valiūnas ir partneriai LAWIN's contribution to implementation of the project "Most reputable companies in Lithuania 2008".**

It is the first time that most reputable companies will be elected in Lithuania. This project involves a complex assessment of reputation of the participating companies as well as election and acknowledgement of 50 most reputed companies in our country.

The project is initiated and organised by the daily *Verslo žinios* (eng. Business News), communications consulting agency VRP I Hill & Knowlton and the public opinion and market research company TNS Gallup. All Lithuanian companies are invited to participate in the project.

The questionnaire of the project has been developed by respective field experts: investment bank GILD Bankers (value category), International Business School at Vilnius University (leadership), law firm Lideika, Petrauskas, Valiūnas ir partneriai LAWIN (management) and VRP I Hill & Knowlton (responsibility).

The law firm Lideika, Petrauskas, Valiūnas ir partneriai LAWIN (responsible for the work of the corporate value management expert group), its managing partner Rolandas Valiūnas and associate partner Dovilė Burgienė will work together with other representatives of the companies participating in the project.

## EU LAW NEWS

### FINANCE LAW

**On 5 December 2007, Directive on payment services in the internal market No 2007/64/EC (Payment Services Directive) was published in the Official Journal of the European Union. The Directive introduces legal framework for establishing of an EU-wide single market for electronic payments.**

The Payment Services Directive sets forth a comprehensive legal mechanism for regulation of all payment services in the European Union. The main objective of this Directive is to make cross border payments within the European Union as efficient and secure as national payments within a Member State.

The Payment Services Directive is expected to foster competition within the market of payment services by opening it to new entrants. Besides, the Directive provides the necessary legal foundation for the Single Euro Payments Area (SEPA).

The Payment Services Directive amends Directives No 97/7/EC, No 2002/65/EC, No 2005/60/EC and No 2006/48/EC and repeals Directive No 97/5/EC.

The Payment Services Directive will have to be transposed into domestic law of Member States by 1 November 2009 at the latest.

For more information please see the internet:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1914&format=HTML&aged=0&language=EN&guiLanguage=en>

### PRIVATE INTERNATIONAL LAW

**On 7 December 2007, a regulation harmonising the rules concerning the law applicable to contractual obligations (Rome I Regulation) has been approved by the Council. This Regulation deals with a wide range of matters concerning applicable law in cross-border contractual disputes.**

The Rome I Regulation recognizes that a cornerstone of the system of conflict-of-laws rules is freedom for the parties to choose applicable law governing cross-border contracts. The Regulation also provides rules to establish applicable law in the absence of choice.

The Rome I Regulation is expected to provide greater clarity and enhance legal certainty for stakeholders in cross-border contractual disputes. This Regulation is also intended to facilitate mutual recognition of judicial decisions in the European Union.

More information is available on the internet:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1872&format=HTML&aged=0&language=EN&guiLanguage=en>

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Lideika, Petrauskas, Valiūnas ir partneriai LAWIN provides services in all major fields of business law. The firm's specialists work in Corporate and M&A; Finance & Tax; Property & Environment; Trade & Technology; Dispute Resolution & Transport practice groups.

The firm is a member of LAWIN – group of the leading Baltic law firms also including Klavins & Slaidins LAWIN from Latvia and Lepik & Luhaäär LAWIN from Estonia. LAWIN currently has over 100 lawyers making it the largest legal presence working in the Baltics.

Lideika, Petrauskas, Valiūnas ir partneriai LAWIN started activities in 1992 in Vilnius and since 1998 its branch has been successfully operating in the seaport Klaipėda. Presently, the firm has more than 50 professionals.

Services are provided in English, German, Russian and Lithuanian.

*This Law Update contains general information and does not constitute and should not be relied upon as legal opinion or advice.*

## LITHUANIAN LAW NEWS

### TAX LAW

**On 6 December 2007, the Parliament adopted the Law on amending and supplementing of Articles 8, 9, 11, 21, 22, 23, 24, 28, 33, 34, 35 of the Law of the Republic of Lithuania on Excise Duties.** In view of Lithuania's obligation to increase gradually, by 31 December 2009, the excise rate for cigarettes until it reaches the minimum excise rate imposed on cigarettes under EU *acquis*, the Law provides for increasing the excise rate for cigarettes from LTL 98,3 to LTL 129,3 for 1 000 most popular cigarettes as from 1 March 2008. This would lead to the increase of the retail price of the packet of the most popular cigarettes by 17.1 %. The Law also sets forth increased excise rates for petrol, diesel fuel and gasoline applied from 1 January 2008 already. These excise rates are fixed not as LTL/ton (valid before the Law coming into force) but as LTL/1,000 litres.

**On 13 November 2007, the Parliament adopted Law No X-1322 on amending and supplementing of Articles 2, 3, 28, 31, 32, 40, 62, 80 and Annex 2 of the Law of the Republic of Lithuania on Value-Added Tax.** The Law prescribes a more detailed procedure for calculating the VAT in cases where undertakings are entitled to choose to calculate

VAT, and also cancels a double-taxed VAT which occurs in cases where the imported goods are assembled or installed in Lithuania. Further, the Law sets forth that energetic products are also considered as goods liable to excise duties as from 1 January 2008.

#### CORPORATE LAW

**On 13 December 2007, the Parliament adopted Law No X-1367 of the Republic of Lithuania on Cross-Border Mergers of Limited Liability Companies.** This Law transposes the provisions of Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of limited liability companies. The Law regulates the cross-border mergers of the companies that are public companies or private companies in their legal form.

**When enforcing a court decision, the shareholders of a private company have priority in acquiring the company shares sold otherwise than by auction, though this provision is not directly embedded in legal rules of the Code of Civil Procedure. The Supreme Court of Lithuania in its 14 December 2007 ruling in civil case No 3K-3-464/2007 UAB Šilda v. D. K.** has stated that the shareholders of a private company lose their pre-emptive right to acquire the shares of a private company sold in the procedure prescribed by the Code of Civil Procedure only at a public auction. However, in cases where a debtor exercises the right set forth in Article 704.1 of the Code of Civil Procedure, the shareholders of a private company retain the pre-emptive right, i.e. a debtor (but not a bailiff) has an obligation to offer the sale shares of a private company primarily to the shareholders of such private company. A debtor is obliged to notify a private company in writing about the sale of shares, to specify the number of the being transferred shares by classes and the sale price, and to set a reasonable term for stating the wish to purchase all shares of a private company being sold by a shareholder at the price which is not lower than indicated in the notice and within a reasonable term during which the due amounts should be paid to the bailiff's deposit account upon stating the wish to purchase the shares.

#### INSURANCE LAW

**On 15 November 2007, the Parliament adopted Law No X-1324 on amending and supplementing the Law of the Republic of Lithuania on Insurance.** This Law transposed the provisions of Directive 2005/68/EC of the European Parliament and of the Council of 16 November 2005 on reinsurance. In the Law, reinsurance activities are defined as economic-commercial operations whereby the risk transferred by an insurance or reinsurance company is assumed. The Law sets forth that abiding by the Directive reinsurance companies will not be allowed to carry out any other economic-commercial activities except for reinsurance activities and any related activities (administration of reinsurance events, mediation, consulting on insurance matters, training of reinsurance specialists, etc.).

#### LAW OF OBLIGATIONS

**The abstract nature of an obligation means that it is independent and not connected in legal aspect with the legal relationship which has entailed the obligation, and that the subjects of an abstract obligation when demanding or refusing to perform the duties arising from an abstract obligation may not rely on the fact that the ground for arising of such obligation exists and is valid or that it does not exist and is invalid. The Supreme Court of Lithuania in its 28 December 2007 ruling in civil case No 3K-3-538/2007 K.G.M. v. UAB Projektų grupė** has stated that the respondent signed the letter of obligations, certified with the corporate seal of the respondent and the signature of the company's director, which however did not specify the purpose of the respondent's obligation to pay the claimant the amount of LTL 80,000 until a certain specific date. Consequently, the respondent's obligation (unilateral transaction) is abstract. The duty arising from a unilateral transaction is also abstract and therefore not connected in legal aspect with the legal relationship which has entailed an obligation. Thus, the obligation arising from the respondent's letter of obligations, i.e. the claimant's right to claim, and a respective duty of the respondent to pay, the amount of LTL 80,000 is discretionary and independent of the legal ground for which the respondent signed the letter of obligations. An abstract content of an obligation also means that the subjects of an abstract obligation when demanding or refusing to perform the duties arising from an abstract obligation may not rely on the fact that the ground for arising of such obligation exists and is valid or that it does not exist and is invalid. Further, in cases where legal relationship has ensued from an abstract transaction it is not a creditor who has to prove the existence and validity of the ground for arising of his claim right but a debtor who in order to deny his legal duty is obliged to prove that there is no ground for arising of legal relationship or that such ground is invalid or void.

**The legal rule of the Civil Code that prohibits the set-off of the claims which are contested in court may be applied only in cases where a covenantee makes the set-off at the time when civil proceeding are instituted in court. The Supreme Court of Lithuania in its 21 December 2007 ruling in civil case No 3K-3-539/2007 Sentovart Industrial Group LTD v. UAB Autostartas** has stated that the set-off is a unilateral transaction for which it is sufficient that one party to the obligation notifies the other party about the set-off. Hence, the will of one party to the obligation is sufficient for the obligation to end by the set-off. Legal consequences of the set-off (the end of an obligation) arise irrespective of the will of the other party to the obligation and its approach to such action of the covenantee; however it is required to notify the other party about performance of such action. When the respondent in defending himself from the stated claim explains that he has made a set-off, the institute of set-off as a unilateral transaction presupposes a procedural situation where the party who has made a set-off is not required to state a counterclaim in respect of the action which has entailed the end of the obligation, requesting the court to uphold the set-off.