

# LITHUANIA: CRYPTO BUSINESS REGISTRATION



**PayBitoPro**

# Lithuania: Crypto Business Registration

Doing cryptocurrency business in the European Union (EU) region can be relatively easier compared to some other regions. The EU has recently adopted the Markets in Crypto-Assets Regulation (MiCAR). This groundbreaking legislation aims to provide a clear and consistent framework for regulating crypto-assets and related services in the EU. MiCAR will apply from the end of 2024, with some provisions applying from mid-2024. Lithuania, Czech Republic, Poland, Estonia, Switzerland, and Malta are the top crypto-friendly countries in the EU region.

Entrepreneurs eyeing the cryptocurrency landscape in 2024 find Lithuania an enticing destination for establishing their ventures, thanks to its favorable regulatory climate, transparent legislation, and innovation-friendly atmosphere. This article delves into the nuances of registering a cryptocurrency company in Lithuania, covering crucial elements such as founder prerequisites, authorized capital requirements, and licensing procedures.

## Registering a Cryptocurrency Business in Lithuania

### Founder Prerequisites:

Founders, whether individuals or legal entities, need not be Lithuanian residents but must uphold an unblemished business reputation to navigate the licensing process successfully and comply with local regulations. Additionally, adherence to Anti-Money Laundering (AML) and Know Your Customer (KYC) protocols may be mandatory.

### Authorized Capital Requirements:

A minimum authorized capital of EUR 125,000 is mandatory for registering a cryptocurrency company in Lithuania. This capital infusion must precede the commencement of operations and can be allocated towards initial expenditures and business expansion.

### Licensing for Cryptocurrency Activities:



Companies intending to engage in cryptocurrency operations must secure the appropriate license issued by the Lithuanian Anti-Money Laundering Centre. Two primary licenses are available:

1. **Cryptocurrency Exchange License:** Facilitates the exchange of cryptocurrencies for fiat currencies and other cryptocurrencies, accompanied by transaction fee accrual.
2. **Cryptocurrency Wallet Services License:** Essential for entities offering cryptocurrency key storage and management services on behalf of clients.

The licensing process entails thorough application submission, accompanied by documentation substantiating compliance with Lithuanian legislation, including AML/KYC obligations.

## Taxation Framework:

Cryptocurrency companies in Lithuania fall under standard tax regulations, with corporate income tax set at 15%. However, small businesses with annual revenues below EUR 300,000 enjoy a reduced tax rate ranging from 0% to 5%. Additionally, considerations regarding Value Added Tax (VAT) and other tax implications during cryptocurrency transactions are essential.

## Crypto Licensing in Lithuania

Lithuania stands out among European Union member states for its official endorsement and regulation of the crypto business, enabling legal financial transactions with cryptocurrency. The Lithuanian government grants permission for the use of virtual currencies alongside traditional financial services (FIAT) and electronic money (e-money).

Licensing for virtual currencies in Lithuania encompasses two primary categories:

- 1. Exchange License for Cryptocurrencies:** This license authorizes companies to facilitate the exchange of cryptocurrencies for capital or other cryptocurrencies, with the provision to charge fees for these services.
- 2. Custodian License for Crypto Wallets:** Companies holding this license can manage cryptocurrency wallets, including the generation and secure storage of encrypted client keys.

## Licensing Procedure



Limited liability companies (UABs) must be established in Lithuania to acquire a virtual currency license, with a minimum authorized capital of €2,500. Notably, physical presence in Lithuania is not required for company formation, and the entire process can be conducted remotely.

A cryptocurrency entity must have at least one member, who can serve as both an owner and a board member. Additionally, the appointed officer responsible for anti-money laundering (AML) and combating the financing of terrorism (CFT) need not be domiciled in Lithuania but must possess industry experience and a sterling reputation.

Each transaction and visitor must undergo thorough scrutiny in accordance with AML/KYC regulations, with oversight provided by the Financial Crimes Investigation Service (FCIS).

## Company Requirements

Companies operating within the cryptocurrency sector must adhere to the following stipulations:

- Conduct identification procedures and identity checks for all clients.
- Ensure regulators have access to customer data.
- Implement an internal control system and conduct risk assessments.
- Appoint a compliance officer to oversee KYC/AML compliance.
- Notify the Financial Crimes Investigation Service (FCIS).
- Board members and company owners must maintain impeccable reputations and have no criminal records.

For foreign/non-resident individuals engaging in crypto activities from abroad, there are no physical presence requirements for company owners and board members.

When applying for a cryptocurrency license in Lithuania, the following documents must be submitted:

- Apostilled passports of all participants.
- CVs of all project participants.
- Confirmation of the board's clean criminal records.
- AML officers must provide evidence of their reputation and lack of criminal records, along with relevant education and experience documentation.
- Third-party KYC/AML officers may be substituted with whom collaboration agreements are in place.



- No restrictions are imposed on the country of residence for company owners/board members.
- Submission of KYC/AML procedures, procedural rules, and a business plan.

## Member Requirements

Owners (natural or legal) must be present, with no nationality or residency restrictions for company members. An owner must serve on the board, and citizenship/residency is unrestricted for board members. The AML compliance officer may also be an owner, with no nationality or residency restrictions. An office must be established for the company, and there are no restrictions on the use of virtual offices. Data on all beneficial owners (UBOs) must be provided during the application process.

## Documentation Needed

To facilitate the review and preparation of a cryptocurrency license application, the following documents are required:

- Valid passport copies from the country of origin.
- Power of attorney (PoA) for remote start-ups and license applications.
- Business model and detailed activity description.
- CVs/summaries of experience and education for cryptocurrency license participants.
- Website address offering cryptocurrency services.
- Criminal records of owners, board members, final beneficiaries (UBOs), or AML officers (not older than 3 months).

## Taxation of Virtual Currency Businesses in Lithuania

- VAT is not applicable to crypto exchange services.
- VAT is required on cryptocurrency offers.
- A 15% tax is imposed on cryptocurrency profits, with reduced rates for small businesses.
- Dividend income is taxed at 15%.
- Tax rates vary depending on the type of crypto activity, with no taxes on tokens acquired through exchange or other means.

