

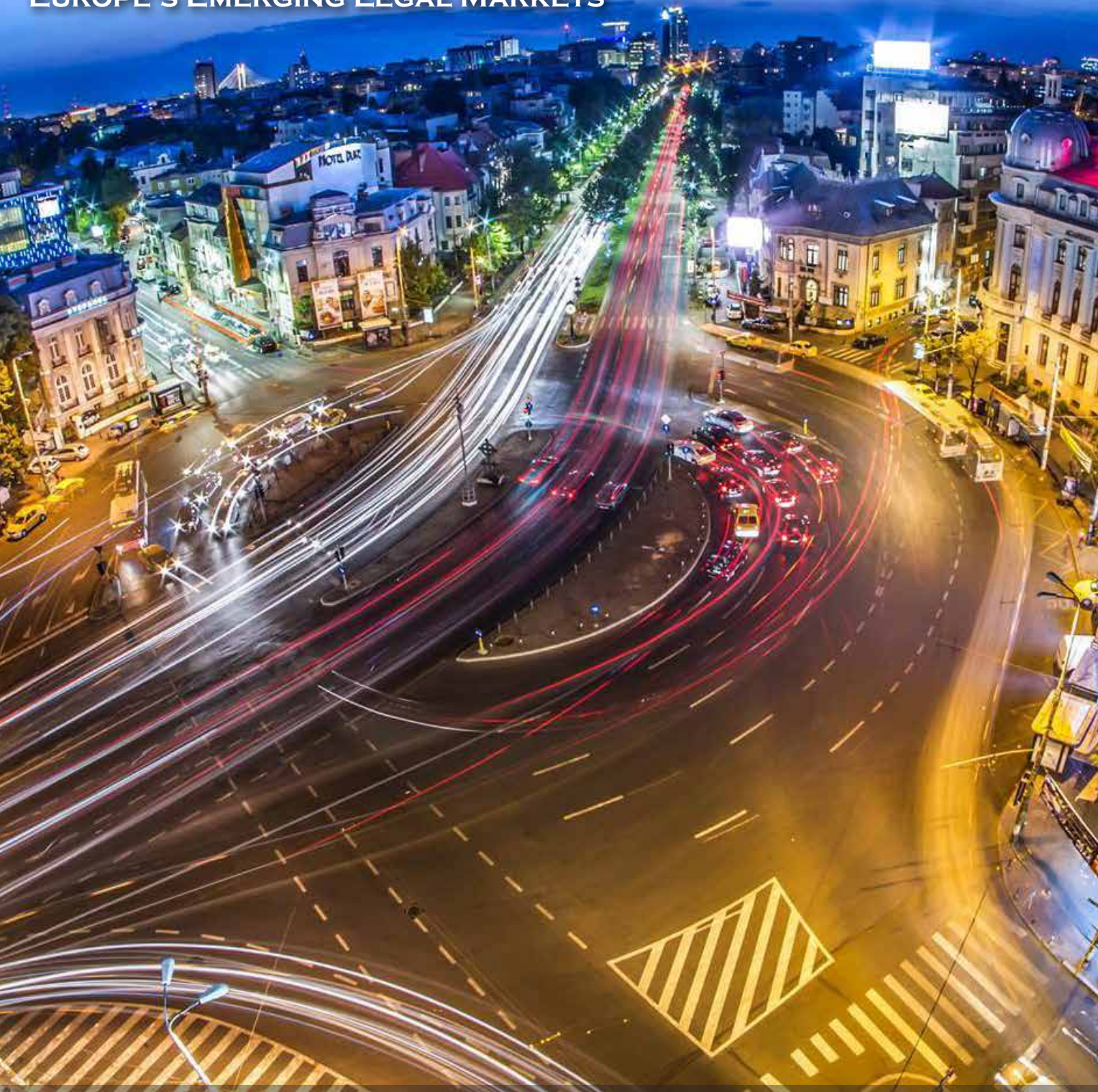


CEE

YEAR 4, ISSUE 11  
NOVEMBER 2017

# LEGAL MATTERS

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



■ ACROSS THE WIRE: DEALS AND CASES IN CEE ■ ON THE MOVE: NEW FIRMS AND PRACTICES ■ THE BUZZ IN CEE ■  
■ BOSNIAN ROUND TABLE: A COMPLICATED SITUATION ■ MARKETING LAW FIRM MARKETING: YOUR LAST JOB ■  
■ PROS AND CONS OF COLLABORATION WITH THE BIG FOUR ■ MARKET SPOTLIGHT: ROMANIA ■ EXPERTS REVIEW: TAX ■

# C/M/S/

Law.Tax

## CMS tops M&A rankings again

2016 as well as the first half of 2017\*\* was another outstanding period for CMS' Corporate / M&A group, with excellent M&A rankings across Europe by deal count. With over 300 deals, CMS advised on more transactions than any other law firm in Europe.

**#1** in CEE  
in Europe  
in France  
in Germany\*  
in UK

source: Bloomberg, \*Bloomberg, Mergermarket and Thomson Reuters

\*\*Bloomberg, Mergermarket in CEE and Bloomberg, Thomson Reuters in Europe

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



#### The Editors:

David Stuckey  
david.stuckey@ceelm.com

Radu Cotarcea  
radu.cotarcea@ceelm.com

#### 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

#### Disclaimer:

*At CEE Legal Matters, we hate boilerplate disclaimers in small print as much as you do. But we also recognize the importance of the "better safe than sorry" principle. So, while we strive for accuracy and hope to develop our readers' trust, we nonetheless have to be absolutely clear about one thing: Nothing in the CEE Legal Matters magazine or website is meant or should be understood as legal advice of any kind. Readers should proceed at their own risk, and any questions about legal assertions, conclusions, or representations made in these pages should be directed to the person or persons who made them.*

*We believe CEE Legal Matters can serve as a useful conduit for legal experts, and we will continue to look for ways to expand that service. But now, later, and for all time: We do not ourselves claim to know or understand the law as it is cited in these pages, nor do we accept any responsibility for facts as they may be asserted.*

# EDITORIAL: EVER MORE BANG FOR YOUR BUCK!

Every October, for some reason, even as we lunge for the end of the year like a marathon runner approaching the tape, we find ourselves overcome with the urge to increase our output, expand our platforms, and grow our company. Last year, for instance, we decided the time had come to move to a monthly from a bimonthly publishing schedule.

This year is no different. Thus, as careful observers of the CEE Legal Matters website know, we have announced that we will be introducing three new events to our annual calendar: The **CEELM Deal of the Year Awards**, the **CEE Legal Matters Annual Banquet**, and the **Dealer's Choice** conference.

## The Time is Right to Do it Right

We have long resisted suggestions that we generate and promote annual awards, preferring instead to wait until we had reached sufficient market penetration and established a strong enough reputation to allow us to implement a methodology based on peer review instead of the subjective (and, frankly, often commercially-influenced) criteria employed by other publications.

That time has come. Thus, 2018 will see the introduction of the first ever **CEELM Deal of the Year Awards**, based on a unique selection process that we believe makes them particularly fair and valuable. First, every law firm in Central and Eastern Europe has already received an invitation to submit deals for Deal of the Year consideration, along with an application form to use in making those submissions, as part of the annual Call for Submissions from CEE Legal Matters related to our annual Table of Deals. The deadline for Deal of the Year submissions is January 4, 2018.

The responses which satisfy the mandatory submission criteria will then be forwarded to our Shortlist Panels: Senior partners at leading firms in each CEE jurisdiction who have already agreed to carefully review the submissions and rank them for complexity, size, and market significance. Their review will result in a shortlist of three deals for each market.

That shortlist of final nominees – which will



be announced in mid-February – will be forwarded to our Final Selection Committee, which consists of CEE Legal Matters Knowledge Partners and attendees to our annual End of Year Expert Summit, who will then *independently* rank the final nominees, allowing us to identify the ultimate winner in each market. Critically, members of that Final Selection Committee will not be allowed to vote on deals their own firms worked on.

The Award Winners will be announced at the CEE Legal Matters Annual Banquet and the next day on the CEE Legal Matters website.

## A Full Day Before the Full Night

On the same day as the Annual Banquet, CEE Legal Matters will host a new and exciting one-day conference and networking event for leading private practitioners from across Central and Eastern Europe, the United Kingdom, the United States, and China. This event, which we are calling **Dealer's Choice**, will focus on deal-making, with topics ranging from law firm business development efforts to client management skills, from negotiation strategies and best practices to multi-jurisdictional and cross-border considerations, from cross-selling strategies to post-deal follow ups. **[Continue reading on page 6.]**

# GUEST EDITORIAL: WHO ARE YOU, MR. MENTOR?

By Vladimir Zenin, Partner,  
CMS Moscow



I vividly remember my first deal ever. It was a debut Eurobond from a Russian corporate after the financial crisis in 1998. I was interning in the “summer boot camp” of a major ILF in Moscow right after the fourth year of my law studies. A first grip at a due diligence exercise, trying to understand what it was like to be a lawyer in private practice – not least to see if I actually wanted to be one.

Believe it or not, I did not hesitate for too long. It was exciting and very promising, given the pace at which the market was developing throughout the decade between the two crises of 1998 and 2008. Work-life balance was a nonsensical concept, and, like most of my peers, I was hungry for a challenge and, yes, good pay as initial signs of a track that would lead to success.

I would not have believed it if anyone had told me back then that in less than ten years the same client I was doing that due diligence for, the industry in which it operated, my country, and quite a number of other things in the world would be so different. Even less would I have been able to imagine that I would assume responsibility for the relationship with that same company as one of the strategic clients at my new firm and get a chance to represent it on what was a ground-breaking outbound transaction for a Russian NOC – a clear demonstration of how important the role of the state is in the Russian market.

It is often argued that a lot of what you get in life actually happens by chance. In reality, even if you are initially lucky, success usually comes only through hard work. In the lawyers’ world, it is preparation, preparation, and preparation ... in addition to research, rehearsal, review, delegation, supervision, and so on. Luck is important, but hardly decisive. But how much of what I achieved was actually attributable to just grinding away?

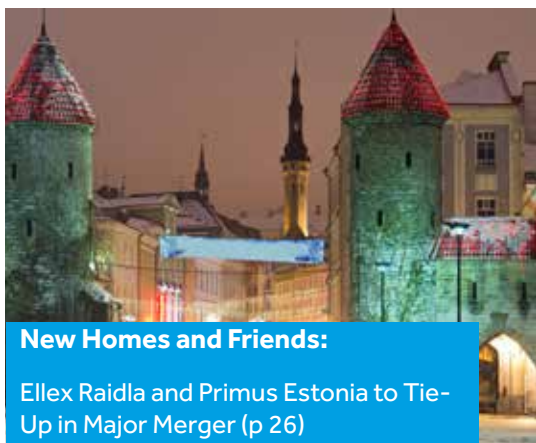
Here comes the best part. I have almost always been in very good company: my mentors. Yes – not one; there were consistently a number of them at a time. Initially, they were just partners. Interestingly, there were “inadvertent celebrities” whose fan club I belonged to and who did not realize they were mentoring me like no one else. There have been great cases of those who led by

example and who my peers simply looked up to and whose professional, and sometimes personal, behavior they tried to copy. At the same time, there have been others who showed more what (and how) things should not be done. That is how I learned that a bad example is probably not any less (and may well be more) important than a good one.

Mentorship covered a range of areas, but the most vital to me were client and team management. These “softest” of all skills relevant to the top assets of any law firm – clients and fee earners – are the areas where young talent is most at risk and requires guidance and, as I was destined to find out by my own example, where the mentor’s personality can have a decisive impact on the success of the mentorship itself. Their advice and feedback were provided in a combination of brutal honesty, impartiality, and fairness. I could not ask for more.

Over time my own mentorship of others became another challenge and an extremely rewarding experience, especially when I was fortunate enough to deal with someone whose performance consistently exceeded my expectations. If you are lucky enough to be on such a case, the less you intervene, the better, and the sooner you understand and accept that, the greater your ultimate reward. Your doubts and temptation to interfere are always with you, but the test of whether you are right or wrong is also very clear, no matter how subjective it may seem. It is that very special feeling of fulfilment when you realize that you are being surpassed by your own mentee who at some point starts mentoring you ... again, most likely inadvertently. Those with parenting experience will probably understand me best.

Finally, you start seeing an extra dimension. Not only do you observe and assess the improvement of your apprentice’s technical skills, but also collect internal and external feedback which, as you grow your practice, becomes key to measuring your own success and defining your own strategy.



### New Homes and Friends:

Ellex Raidla and Primus Estonia to Tie-Up in Major Merger (p 26)



### A Bosnian Round Table:

A Complicated Situation (p 44)



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A Misleading Picture (p 58)



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## EDITORIAL: HOW AN INTERVIEW IS LIKE A MADELEINE (CONT.)

Speakers and panelists will be drawn from those firms included on the Deal of the Year Shortlist – who are, by definition, experts in how to get and keep clients, obtain valuable mandates, and finalize complex and important transactions.

Significantly, leading international firms from the United Kingdom, Germany, France, the United States, and China will be invited to attend, allowing the event to function as an unprecedented international networking and referral opportunity.

Both the **Dealer's Choice** event and the **CEE Legal Matters Awards Banquet** will take place for the very first time, on May 29, 2018 in Prague.

All that ... and I didn't even mention that CEE Legal Matters will be hosting not one-country specific GC Summit conference as we did this year, not two, but three, with new events in Serbia and Turkey in addition to the second annual Hungary GC Summit, and of course our annual End of Year Expert Summit, and the bigger-than-ever GC Summit itself in Prague which is expected to host up to 300 senior in-house counsel, and the special China issue of this magazine, and ....

And ... I'm a little scared to imagine what Radu and I will decide to do next year.

David Stuckey

# LETTERS TO THE EDITORS

Dear CEE Legal Matters Editors,

I know that it is a bit bizarre to say it now, but I could not help myself to thank you for the interview that was published in the May 2017 issue about the “dos and don'ts of working with legal recruiters,” which I was only recently able to find the time to read thoroughly. It, surprisingly, provided the awareness that I need as an in-house counsel, just at the right time in my career path.

The interview is definitely a must-read.

Thank you again and hope to see you in near future.

Regards

Bora KAYA, LL.M., ACI Arb.

M. Legal Counsel

Gama Power Systems

CEE Legal Matters responds:

Dear Bora:

We're glad you enjoyed the article – we always appreciate getting feedback, both positive and negative, about the content in the CEE Legal Matters magazine (though we have to admit, we enjoy the positive just a little bit more). We're also glad to hear the article was useful.

We look forward to seeing you again soon as well – perhaps at next June's GC Summit in Prague, or next October's Turkey GC Summit in Istanbul?

Best,

David and Radu

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](mailto:press@ceelm.com). Letters should include the writer's full name, address and telephone number and may be edited for purposes of clarity and space.

# Nagy és Trócsányi celebrates 25th anniversary as premier law firm in Hungary

NT.HU

LexMundi  
World Ready



On 14 November 2017, Nagy és Trócsányi held a special reception to mark the 25th anniversary of its establishment.

The event took place in the Ludwig Museum of Contemporary Art, which also celebrates the 25th anniversary of its foundation at the end of 2017.

A great many clients, friends former and present colleagues gathered on this festive occasion. The guests were offered a special guided tour of the museum's permanent exhibition, and this proved to be a popular way to start the evening.

The event kicked off with an opening speech by Péter Nagy, who took all those present on a trip down memory lane to the summer of 1991, briefly recounting the story of Nagy és Trócsányi began, and the events leading up to its establishment in 1992. He then asked long-standing managing partner, Péter Berethalmi, to say a few words about the future. Dr. Berethalmi, who has been with Nagy és Trócsányi for 21 years, first described his early years with the firm, then contrasted them with the changes that have taken place in the country and the legal market since then.

Fierce competition and the growing number of highly professional law firms in the market were only two of the challenges he mentioned.

Nagy and Trócsányi has risen to meet them all, however, and remained at the cutting edge for the past 25 years. It has evolved into a law firm that offers a full range of services, and besides litigation, it takes on mergers and acquisitions, real estate, banking and energy-sector, labour-law and various regulatory cases, just like any of its western counterparts.

**As the Hungarian member of Lex Mundi, the firm became a global firm that can connect clients essentially with any parts of the world.**

Nagy és Trócsányi's lawyers are also committed to ensuring that they remain among the leading firms in the market for the next 25 years to come.

"We'll continue to build a modern law firm that's always in step with the constantly changing challenges around us, and is capable of providing our clients with the very best legal assistance they can get," concluded Péter Berethalmi. Finally, he thanked all the guests for attending and raised his glass to the next successful 25 years.

25 YEARS

LUDWIG  
MÚZEUM  
2017.11.14.

NAGY & TRÓCSÁNYI



# ACROSS THE WIRE: FEATURED DEALS

## Avellum Advises Ministry of Finance of Ukraine on USD 3 Billion Sovereign Bond Issue and Tender Offer



Avellum has acted as Ukrainian legal advisor to the Ministry of Finance of Ukraine on its USD 3 billion, 15-year, 7.375% Eurobond issue, which was combined with a cash tender offer to the holders of the outstanding Eurobonds due 2019 and 2020.

The transaction is the first stand-alone sovereign bond issue by Ukraine since its 2015 sovereign debt restructuring. A portion of the net proceeds of the new issue were applied by Ukraine to fund the repurchase of USD 1.16 billion of its 2019 Eurobonds and USD 415 million of its 2020 Eurobonds. The remaining net proceeds of the new issue will be used for general budgetary purposes.

The Avellum team was led by Partner Glib Bondar, sup-

ported by Senior Associate Taras Dmukhovskyy, Tax Counsel Vadim Medvedev, and Associates Anna Melnychuk, Pavlo Shevchenko, Orest Franchuk, Anastasia Voronova, Oleg Krainskyi, and Vladyslav Aleksandrov.

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*“It was an immense privilege for us to act for the Ministry of Finance of Ukraine on this truly remarkable transaction, in particular, in terms of its size and maturity. It was very well received by the international investment community demonstrating Ukraine’s successful return to the international capital markets.”*

– Glib Bondar, Partner, Avellum

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White & Case advised the Ministry of Finance on matters of English and American law, while Sayenko Kharenko (on Ukrainian law) and Latham & Watkins (on American and English law) advised joint lead managers BNP Paribas, Goldman Sachs, and J.P. Morgan Securities plc.

**AVELLUM**

INTERNATIONALLY  
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## Penkov, Markov & Partners Advises on Historic Bulgarian Real Estate Deal



Penkov, Markov & Partners advised Bul Dom OOD on the September 21, 2017 sale of Bulfeld EOOD – the owner of the Paradise Center shopping center in Sofia – to NEPI Project Two EOOD, a subsidiary of NEPI Rockcastle.

In an announcement to the Johannesburg Stock Exchange, NEPI stated that the EUR 252.9 million purchase – reportedly the highest price ever paid for real estate in Bulgaria – was funded by its cash resources and debt facilities, combined with sale of listed securities.

The acquisition represents the second investment in Bulgaria by NEPI this year, following its acquisition of the Serdika Center shopping center in Sofia earlier this summer. With a gross floor area of more than 208,000 square meters, Paradise Center is one of the largest retail centers in the country. Opened in 2013 and benefiting from a major conference facility and with direct access to a newly-built metro line, Paradise Center has an annual footfall in excess of 10 million visitors.

*“It has been several months’ challenge to structure and negotiate this record breaking transaction for the Bulgarian market. We have been working dedicatedly with the investors in Paradise Center Mall on its development as a premium commercial real estate from the very beginning – from the concept stage of the project several years ago – and it has been a natural continuation of our long-lasting relationship with our clients that we have assisted on the current sale of the project as well, conforming to a very tight yet dynamic time schedule for completion.”*

– Milena Gaidarska, Partner, Penkov, Markov & Partners

According to Maravela | Asociatii, the Brussels office of Gleiss The Penkov, Markov & Partners team was led by Partner Milena Gaidarska and included Attorneys Atanas Valov, Radost Georgieva, Maria Pashalieva, and Koicho Marinov.

DGKV advised NEPI Rockcastle on the deal.



**PENKOV · MARKOV & PARTNERS**  
INTERNATIONAL LAW FIRM  
SINCE 1990

## Karanovic & Nikolic Advises on Major PPP For Belgrade Waste Treatment Project



Karanovic & Nikolic was part of a consortium of advisors to the City of Belgrade and the IFC on local law aspects of a PPP project for the landfill remediation and development of a waste treatment facility in the Vinca section of Belgrade.

The Belgrade Secretariat for Environmental Protection, the Beocista Energija company, and the French-Japanese consortium SUEZ Groupe – I-Environment Investments Limited signed a public-private partnership for the financing, construction, operation, and maintenance of the waste management treatment and disposal center in Serbia.

The deal, which is valued at EUR 300 million, is reported to be the biggest public-private partnership agreement ever signed in the region. The waste management facility in Vinca will be completely sanitized, and after the restructuring and with its new facilities, Vinca will be able to produce thermal heating and electric energy.

*“This is the first project of this size in Serbia, done in accordance with EU best practices in the field of waste management. Procured through a competitive dialogue procedure, it will solve a decades-old problem of the worst landfill in the Balkans.”*

– Darko Jovanovic, Senior Partner,  
Karanovic & Nikolic

The Karanovic & Nikolic legal team was led by Senior Partner Darko Jovanovic and included Associate Mina Sreckovic.

Hogan Lovells UK acted as IFC’s international legal advisor.

**karanovic / nikolic**

## KSB Advises Agrofert Group on DEZA Acquisition of Petrochemia-Blachownia



Kocian Solc Balastik has advised the Agrofert Group on the October 31, 2017 acquisition by group member DEZA a.s. of Polish chemical company Petrochemia-Blachownia S. A. from BorsodChem Zrt after two years of negotiations.

Szecskey Attorneys at Law advised DEZA on Hungarian matters, Wardynski & Partners advised on Polish matters, and Bouchon & Partner advised on German matters. Baker McKenzie advised BorsodChem Zrt.

## JPM Advises Dr. Max on Acquisition of Pharmacy Chains in Serbia



JPM has advised Dr. Max Group on the acquisition by its AsterFarm subsidiary of prominent Serbian pharmacy chains Farmanea and Farmakop from sellers Lovorka Nikolic and Miomir Nikolic. JPM also advised Dr. Max Group throughout the merger control procedure before the Serbian competition authority regarding its acquisition of sole control over Farmanea and Farmakop, which resulted in the Commission for Protection of Competition's unconditional approval.

JPM worked alongside Havel, Holasek & Partners on the deal. The sellers were advised by Bojanovic & Partners

## Baker McKenzie Advises Banks on Financing for The Warsaw Hub



Baker McKenzie advised a consortium of financial institutions including Bank Zachodni WBK S.A., PKO BP S.A., Bank Pekao S.A., Bank BGZ Paribas S.A., and Raiffeisen Bank Polska S.A. on financing of up to EUR 221 million and PLN 45 million (a total amount of approximately PLN 1 billion) provided to companies from the Ghelamco group for use in constructing an office-services-hotel complex called The Warsaw Hub.

*"We are proud to have represented the leading Polish banks in this record-breaking transaction. Baker McKenzie welcomed the opportunity to assist in yet another redefining moment for the Warsaw skyline in this prestigious real estate project."*

– Ireneusz Stolarski, Partner, Baker McKenzie, Warsaw

The Warsaw Hub, which was formerly known as the Sienna Towers, is the largest of Belgian international real estate investor and developer Ghelamco's projects in Poland. The complex will consist of three skyscrapers linked by a common five-story base and have a total area of about 113,000 square meters. Construction is under way and is scheduled to be completed at the beginning of 2020.

The Baker McKenzie team was led by Partner Ireneusz Stolarski.

**Baker  
McKenzie.**

# ACROSS THE WIRE: DEALS SUMMARY

Date covered	Firms Involved	Deal/Litigation	Value	Country
Nov-17	CEE Attorneys	CEE Attorneys in Romania provided legal assistance to EshopWedrop Group, the B2C service of Xpediator Plc., a provider of freight management services across the UK and Europe, in its awarding of franchises in Cyprus and Albania to Kronos Express and Albanian Courier SHPK, respectively.	N/A	Albania
Sep-17	act (WMWP)	WMWP – the Austrian office of Act Legal – successfully advised the Hannover Finanz Group on its acquisition of a stake in Sporternahrung Mitteregger GmbH.	N/A	Austria
Sep-17	CMS; Schoenherr	Schoenherr advised Schweighofer Group on the sale of Schweighofer Fiber GmbH to private equity group TowerBrook Capital Partners L.P. The buyers were reportedly advised by CMS on the deal.	N/A	Austria
Sep-17	Allen & Overy; Binder Groesswang; Dorda	Dorda advised Soravia and ARE Development as joint venture and project partners on their sale of Trillple Tower 3 to Corestate Capital Group. The buyers were reportedly advised by Binder Groesswang, with a Dusseldorf-based Allen & Overy team advising Corestate on the structuring of the transaction	EUR 300 million	Austria
Sep-17	Schoenherr	Schoenherr advised the Valora Group on Austrian aspects of its acquisition of German-based food service company BackWerk from the Swedish financial investor EQT.	N/A	Austria
Sep-17	Hule Bachmayr-Heyda Nordberg; Wolf Theiss	Wolf Theiss advised The Student Hotel Group on preparations for a new 822-room flagship hotel in Vienna, including on its acquisition of real property and on the drafting and development (design and build) agreement. Hule Bachmayr-Heyda Nordberg reportedly advised the sellers and developers of the real property, the S+B Gruppe.	N/A	Austria
Sep-17	Fellner Wratzfeld & Partner; Schoenherr	Schoenherr advised BK Invest GmbH on its acquisition of atms Telefon- und Marketing Services GmbH, which also includes sms.at mobile internet services GmbH, from German company dtms GmbH. Fellner Wratzfeld & Partner advised dtms GmbH on the deal.	N/A	Austria
Sep-17	Freshfields Bruckhaus Deringer	Freshfields Bruckhaus Deringer advised Austrian Oberbank AG on the conclusion of a financing framework agreement with banks in the Islamic Republic of Iran. This is the first agreement of this type between a European credit institution and Iranian banks since the easing of sanctions against Iran in early 2016.	N/A	Austria
Oct-17	Fellner Wratzfeld & Partner	Fellner Wratzfeld & Partner advised the HYPO NOE Group on the upstream merger of HYPO NOE Landesbank AG into HYPO NOE Landesbank fur Niederosterreich und Wien AG.	N/A	Austria
Oct-17	CMS	CMS advised Synergie International Employment Solutions SL, one of the largest personnel services providers in Europe, on its acquisition of an 80% stake in the Austrian company Volker GmbH Personalbereitstellung.	N/A	Austria
Oct-17	Dorda	Dorda advised Corestate Capital Holding S.A. on the acquisition of the UBM Micro Living project Vienna's new Quartier Belvedere Central district from developer UBM Development AG. Eisenberger & Herzog reportedly advised sellers UBM Development.	EUR 27 million	Austria
Oct-17	Rautner; Wolf Theiss	Wolf Theiss advised Volksbank Wien on its issuance of a subordinated bond (tier 2) with a volume of EUR 400 million. Rautner Rechtsanwälte advised a banking syndicate consisting of Credit Agricole Corporate and Investment Bank, Erste Group Bank AG, HSBC Bank plc, and UBS Limited as Joint Lead Managers on Volksbank Wien's issuance.	EUR 400 million	Austria
Oct-17	Wildmoser/Koch & Partner; Wolf Theiss	Wolf Theiss advised the sellers on the acquisition by Vivatis Holding AG of Frisch & Frost. Wildmoser/Koch & Partner reportedly advised Vivatis on the transaction.	N/A	Austria
Oct-17	Fellner Wratzfeld & Partner	Fellner Wratzfeld & Partner advised BAWAG P.S.K and Easybank AG on their acquisition of the commercial prepaid and credit card issuing business operating under the "PayLife" brand.	N/A	Austria

Date covered	Firms Involved	Deal/Litigation	Value	Country
Oct-17	Wolf Theiss	Wolf Theiss advised the largest Chinese producer of SUVs, the Great Wall Motor Company, on its creation of an Austrian subsidiary.	N/A	Austria
Oct-17	Dorda	Dorda advised Austria's TTTech group on a strategic partnership with Samsung regarding the development of technologies for automated driving. Eisenberger & Herzog advised Samsung on the deal.	N/A	Austria
Oct-17	Allen & Overy; Frotz Riedl	Allen & Overy and Frotz Riedl Rechtsanwälte in Vienna have advised Vienna-based private equity investor CMR GmbH on the acquisition of Rofin Sinar UK Ltd. from Coherent Inc.	N/A	Austria
Oct-17	CMS	CMS advised the Cosmo Consult Group on its recent acquisition of the Austrian Microsoft partner FWI.	N/A	Austria
Oct-17	Dorda; Freshfields Bruckhaus Deringer; Hengeler Mueller	Hengeler Mueller advised Austrian lender BAWAG Group AG on the successful October 25, 2017 listing of its shares on the Vienna Stock Exchange. Dorda Rechtsanwälte reportedly provided Austrian advice to BAWAG, and Freshfields reportedly advised Joint Global Coordinators and Joint Bookrunners Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Goldman Sachs International, J.P. Morgan Securities plc, and Morgan Stanley & Co. International plc.	EUR 1.9 billion	Austria
Oct-17	Wolf Theiss	Wolf Theiss advised ASFINAG on its issuance of EUR 750 million 0.25% bonds with a maturity of seven years.	EUR 750 million	Austria
Nov-17	Wolf Theiss	Wolf Theiss assisted Catella Residential Investment Management GmbH with its acquisition of a student apartment building by way of a forward purchase from Germany's real estate development company GBI AG.	N/A	Austria
Nov-17	Dorda; Horzepa Spiegel & Associates; Pinsent Masons; Rautner Attorneys	Dorda served as Austrian counsel to US-based Idera, Inc., the parent company of global B2B software productivity brands, on its acquisition of Austria's Ranorex GmbH, a software development company focusing on test automation software. The United States' Horzepa Spiegel & Associates PC law firm was global counsel to Idera, and Pinsent Masons acted as German counsel. Ranorex was advised by Rautner Attorneys.	N/A	Austria
Nov-17	CMS	CMS Vienna advised Niederösterreichisches Pressehaus Druck- und Verlagsges.m.b.H., Lower Austria's largest media corporation, on the reorganization of its corporate structures.	N/A	Austria
Nov-17	Herbst Kinsky; Schoenherr	Schoenherr advised Dutch capital investment firm Endeit Capital as lead investor in a EUR 9 million Series B financing round for Austrian tour booking platform TourRadar. Herbst Kinsky advised TourRadar on the matter.	EUR 9 million	Austria
Nov-17	DLA Piper	DLA Piper advised UBM Development AG on the placement of a EUR 150 million corporate bond. Raiffeisenbank International and Quirin Privatbank were the joint lead managers and bookrunners in the transaction.	EUR 150 million	Austria
Nov-17	Dorda	Dorda secured a court victory for German automotive group Volkswagen in six proceedings before the Austrian Supreme Court, successfully arguing in all six proceedings that Austria has no international jurisdiction for investor claims.	N/A	Austria
Oct-17	Hengeler Muller; Schoenherr	Schoenherr, working with lead counsel Gleiss Lutz, advised French IT service provider Atos SE on the planned acquisition of Siemens Convergence Creators GmbH for an undisclosed price. Siemens AS was represented by Hengeler Muller on the deal.	N/A	Austria; Croatia; Romania
Oct-17	CMS; DSC Doralt Seist Csoklich	CMS advised Slovakia-based Arca Capital Group on its acquisition of a 61.37% interest in Wiener Privatbank SE from majority shareholders Gunter Kerbler and Johann Kowar, who were reportedly advised by DSC Doralt Seist Csoklich Rechtsanwälte.	N/A	Austria; Slovakia
Oct-17	Dimitrijevic & Partners; Jadek & Pensa	Dimitrijevic & Partners collaborated with Jadek & Pensa in Slovenia and lead counsel Clifford Chance in assisting Mercator in a series of transactions related to the restructuring of the company's business operations in Bosnia and Herzegovina.	N/A	Bosnia and Herzegovina; Slovenia
Sep-17	Kinstellar	Kinstellar advised a consortium consisting of Hungary's OTP Bank PLC, its Bulgarian subsidiary, DSK Bank, and Eurobank Bulgaria on a EUR 133 million senior loan facility to Business Park Sofia.	EUR 133 million	Bulgaria
Sep-17	Kambourov & Partners	Kambourov & Partners successfully represented Iberdrola Inmobiliaria before the European Court of Justice in a case involving the general rules for deduction of VAT credit in cases of investment in public infrastructure.	N/A	Bulgaria
Sep-17	Kinstellar	Kinstellar's Sofia antitrust team advised the Linxens Group on its successful application to the Bulgarian Commission on Protection of Competition for its acquisition of the SIT Division of the Smartrac Group and on the antitrust aspects of the deal.	N/A	Bulgaria
Oct-17	Djingov, Gouginski, Kyutchukov & Velichkov; Penkov, Markov & Partners	DGKV's real estate team advised NEPI Rockcastle on the September 21, 2017 acquisition by its subsidiary NEPI Project Two EOOD of Bulfeld EOOD – the owner of the Paradise Center shopping center in Sofia – from Bul Dom OOD. Penkov, Markov & Partners advised the sellers on the deal.	EUR 252.9 million	Bulgaria

Date covered	Firms Involved	Deal/Litigation	Value	Country
Oct-17	CMS	CMS successfully defended renewable energy client Astronergy against a commercial claim brought by a former developer over the acquisition of the Chervenikovo-4MWp photovoltaic plant in Bulgaria.	N/A	Bulgaria
Oct-17	Djingov, Gouginski, Kyutchukov & Velichkov	DGKV advised Fund Manager of Financial Instruments in Bulgaria EAD on the structuring and launch of a EUR 100 million public procurement procedure to select financial intermediaries for equity and quasi-equity investments in Bulgarian seed and start-up companies.	EUR 100 million	Bulgaria
Oct-17	Djingov, Gouginski, Kyutchukov & Velichkov	DGKV acted as local counsel to the Export-Import Bank of China with regard to a EUR 50 million loan facility extended to the Bulgarian Development Bank for on-lending to customers in the form of mid or short-term trade financing transactions.	EUR 50 million	Bulgaria
Oct-17	Boyanov & Co.	Boyanov & Co. supported the UK-listed company BSP PLC on its acquisition of a historic building in Sofia.	N/A	Bulgaria
Nov-17	Djingov, Gouginski, Kyutchukov & Velichkov	DGKV advised Fund Manager of Financial Instruments in Bulgaria EAD on the structuring and launching of a public procurement procedure to select financial intermediaries for the Urban Development Fund under the Operational Program "Regions in Growth 2014-2020," which is co-financed by the European Structural and Investment Funds.	EUR 180.5 million	Bulgaria
Oct-17	Krajnovic and Partners; K&L Gates	K&L Gates advised OT Logistics S.A. on the acquisition of 11.75% of shares in Luka Rijeka d.d., as well as on the conclusion of a joint policy agreement with Allianz ZB and Erste funds. Krajnovic and Partners advised OT Logistics on Croatian law.	N/A	Croatia; Poland
Sep-17	Dvorak Hager & Partners	Dvorak Hager & Partners represented the Fit Invest group in its purchase of the Form Factory fitness center in the Stodulky neighborhood of Prague.	N/A	Czech Republic
Sep-17	Dvorak Hager & Partners	Dvorak Hager & Partners advised the Czech investment group CEHA Investment a.s. on its acquisition of the Czech construction company Cermak a Hrachovec a.s. and its sister company Prakan a.s. from Colas S.A.	N/A	Czech Republic
Sep-17	Kocian Solc Balastik	Kocian Solc Balastik won a promotion dispute over garlic drops for manufacturer Allivictus.	N/A	Czech Republic
Oct-17	Z/C/H Legal	Z/C/H Legal successfully assisted the Czech Republic's Burrito Loco restaurant chain with the entry of a new investor: The Leos Novotny investment group.	N/A	Czech Republic
Oct-17	Baker & McKenzie; White & Case	Baker McKenzie advised Sika, a manufacturer of speciality chemicals, on its acquisition of Prague-based KVK Holding from private equity firm Arx Equity Partners. White & Case advised the sellers on the deal.	N/A	Czech Republic
Oct-17	CEE Attorneys; Schoenherr	Schoenherr advised Austrian Post on its acquisition of a share of In Time Spedice. CEE Attorneys advised the selling shareholder on the deal.	N/A	Czech Republic
Oct-17	Kinstellar; PRK Partners; White & Case	Kinstellar and White & Case advised BMO Real Estate Partners on the acquisition of the high end department store in Prague occupied by Van Graaf from Vienna-based MTK Developments on behalf of investors in BMO's pan-European retail property investment fund. PRK Partners reportedly advised the sellers on the deal.	N/A	Czech Republic
Oct-17	Dvorak Hager & Partners	Dvorak Hager & Partners represented the Fit Invest group in its purchase of the World Class fitness center on Wenceslas Square in Prague.	N/A	Czech Republic
Nov-17	BPV (Braun Partners); Kinstellar	BPV Braun Partners advised European real estate service provider Corpus Sireo on the purchase by its Luxembourg investment fund Dereif Immobilien of the Oasis Florenc office building in the center of Prague. Kinstellar advised the unidentified sellers on the deal.	N/A	Czech Republic
Nov-17	Baker McKenzie; Bouchon & Partner; Kocian Solc Balastik; Wardynski & Partners	Kocian Solc Balastik advised the Agrofert Group on its acquisition by group member DEZA a.s. of Polish chemical company Petrochemia-Blachownia S. A. from BorsodChem Zrt. Szecskay Attorneys at Law advised DEZA on Hungarian matters, Wardynski & Partners advised on Polish matters, and Bouchon & Partner advised on German matters. Baker McKenzie advised BorsodChem Zrt.	N/A	Czech Republic
Nov-17	Dentons; Kinstellar	Kinstellar advised CBRE Global Investors on its off-market acquisition of a logistics/light industrial portfolio in Plzen, in the western Czech Republic, from Stage Capital. Dentons advised Stage Capital on the deal.	N/A	Czech Republic
Nov-17	Randa Havel Legal	Randa Havel Legal represented the Jufa Investment Group in connection with its purchase of the Brno Turany solar power plant.	N/A	Czech Republic
Nov-17	DLA Piper	DLA Piper advised Allianz and ING on syndicated loan for the financing of a portfolio of industrial properties owned by CTP.	EUR 160 million	Czech Republic
Nov-17	CMS; Rentsch Legal	CMS advised Savills plc. on the acquisition of SB Property Services from its founders, Martina Bartek and Michaela Semanova. Rudolf Rentsch of Rentsch Legal advised the sellers.	N/A	Czech Republic
Oct-17	Dentons; White & Case	White & Case advised REICO Investicni Spolecnost Ceske Sporitelny, a.s., acting for CSNF, on the acquisition of the Galeria Sloneczna in Radom, Poland, from White Star Real Estate. Dentons advised the sellers on the deal.	EUR 164 million	Czech Republic; Poland

Date covered	Firms Involved	Deal/Litigation	Value	Country
Oct-17	Clifford Chance; Velisek & Podpera	Clifford Chance's Prague office advised KKCG Investments AG on the acquisition of a majority stake in AutoCont Group, the largest supplier of information and communication technologies in the Czech Republic and Slovakia. Clifford Chance also advised on the financing of the transaction. Velisek & Podpera advised the sellers on the deal.	N/A	Czech Republic; Slovakia
Nov-17	Kinstellar	Kinstellar advised Genesis Private Equity Fund III in connection with its investment in the combination of DATART and HP TRONIC on the Czech and Slovak market.	N/A	Czech Republic; Slovakia
Sep-17	Cobalt	Cobalt advised on the initial coin offering of Robot Vera.	N/A	Estonia
Sep-17	Cobalt	Cobalt Estonia advised Aktsiaselts DNB Pank, a subsidiary of Norway's DNB Bank ASA, on its application for an additional credit institution authorization from the European Central Bank and the Estonian Financial Supervision Authority.	N/A	Estonia
Sep-17	TGS Baltic	TGS Baltic advised Bulgarian crowdfunding platform IUVO on its obtaining of credit intermediary authorization from the Estonian Financial Supervision Authority.	N/A	Estonia
Sep-17	Ellex (Raidla)	Ellex Raidla represented media group AS Ekspress Grupp in a dispute with Grupivara OU involving the approval of AS Ekspress Grupp's annual reports.	N/A	Estonia
Sep-17	Primus	Primus advised a joint venture of Lumi Capital and LHV pension funds on a July 2017 agreement with a joint venture of Hepsor Kinnisvara and Tolaram Group to develop and acquire two rental apartment buildings in the Pelgulinn district of Tallinn.	N/A	Estonia
Sep-17	Cobalt; Rask	Cobalt advised longtime client Alexela Oil on its acquisition of Euro Oil's 24 petrol stations in Estonia. The sellers on the share deal were advised by Rask.	N/A	Estonia
Oct-17	Ellex (Raidla)	Ellex Raidla advised recruitment platform Jobbatical on its USD 4 million series A round led by Japan-based Mistletoe Inc, with participation from Union Square Ventures (U.S.), AirTree Ventures (Australia), and Tera Ventures (Estonia).	USD 4 million	Estonia
Oct-17	Cobalt	Cobalt advised Karma Ventures on its investment in AppGyver, a provider of innovative app development tools founded in 2010 with offices in the USA and Finland.	N/A	Estonia
Nov-17	Ellex (Raidla)	Ellex Raidla advised Stora Enso on the sale of 100% of its shares in Puumerkki Oy and Puumerkki AS to Mimir Invest AB.	N/AQ	Estonia
Nov-17	TGS Baltic	TGS Baltic successfully represented Estonia's Hiiu County Government in administrative court in three disputes regarding spatial plans providing general conditions for establishing wind farms.	N/A	Estonia
Nov-17	Ellex (Raidla)	Ellex Raidla advised EFTEN Real Estate Fund III AS, a public closed alternative investment fund, on its public offering, totaling EUR 3.5 million, with a bid price of EUR 14 per share.	EUR 3.5 million	Estonia
Nov-17	Nove	The Nove law office reported that it has been selected by Estonia's Ministry of Defense and Ministry of the Interior to prepare a "Legal Analysis of Supplies" report.	N/A	Estonia
Nov-17	Nove	The Nove law office and Estonia's Center for Applied Research were selected to prepare a "Study to Map Environmental Field Corruption Risks and Measures to Prevent Corruption and Fraud" report by the country's Ministry of the Environment.	N/A	Estonia
Oct-17	Primus	Primus advised Madara Cosmetics, the Latvian manufacturer of natural and organic cosmetics, on its share offering to investors in Latvia and Estonia, with the subscription period lasting between October 16 and November 3.	N/A	Estonia; Latvia
Sep-17	Sorainen	Sorainen advised Nasdaq on the merger of the central securities depositories of Latvia, Lithuania, and Estonia into the Latvian entity Nasdaq CSD SE and its obtaining of a license to operate under the new EU regime introduced by Central Securities Depositories Regulation No. 909/2014.	N/A	Estonia; Latvia; Lithuania
Oct-17	Cobalt; Sorainen	Sorainen advised Nordea on the October 1, 2017 combination of its Baltic operations with those of DNB to create Luminor. Cobalt advised DNB on the deal.	N/A	Estonia; Latvia; Lithuania
Oct-17	Cobalt; Sorainen	Sorainen advised Finland-based Oriola on the sale of its Baltic business to Oribalt Group, controlled by the former management of Oriola's Baltic subsidiaries. Cobalt advised the buyers on the deal.	N/A	Estonia; Latvia; Lithuania
Nov-17	Cobalt; Ellex (Raidla)	Ellex Raidla and Cobalt worked alongside Taaleri Capital in advising the management of Oriola Baltic in their August 14, 2017 buyout of the company's five Baltic subsidiaries, the reorganizing of the subsidiaries in Estonia, Latvia, and Lithuania under a new Latvian parent company, SIA Oribalt Group, and the transaction financing.	N/A	Estonia; Latvia; Lithuania
Nov-17	Kyriakides Georgopoulos	Kyriakides Georgopoulos assisted the Frigoglass group on the completion of its debt and capital restructuring process.	N/A	Greece
Nov-17	Norton Rose Fulbright	Norton Rose Fulbright advised Alpha Bank on its second shipping securitization, which raised USD 250 million. The transaction was arranged and financed by Citi.	USD 250 million	Greece

Date covered	Firms Involved	Deal/Litigation	Value	Country
Sep-17	CMS	CMS advised NEPI Rockcastle plc on its acquisition of the Arena Plaza shopping center in Budapest by means of a EUR 275 million purchase of all the issued shares in and claims against Symmetry Arena Ingatlankezele Korlatolt Felelossegu Tarsasag, the owner of the mall, from Lanebridge Investment Management Limited.	EUR 275 million	Hungary
Sep-17	Baker McKenzie	Baker McKenzie Budapest assisted British multinational oil and gas company BP on the establishment of a shared service center in Szeged, Hungary.	HUF 8 billion	Hungary
Oct-17	CMS; Weil Gotshal & Manges	CMS advised Kopaszi Gat Kft. on the sale of property in Budapest to the MOL Hungarian Oil and Gas Company, which will use it for the development of its new built-to-suit office building. Weil Gotshal & Manges advised MOL on the acquisition.	N/A	Hungary
Oct-17	CMS; Hogan Lovells	Partos & Noblet Hogan Lovells advised the Vajda Papir Group on its HUF 22 billion syndicated loan arrangement with a Hungarian bank syndicate consisting of OTP Bank, UniCredit Bank Hungary, Eximbank, and the Hungarian Development Bank for project finance and general corporate purposes. The lenders were advised by CMS Budapest.	HUF 22 billion	Hungary
Oct-17	Sarhegyi and Partners	The Sarhegyi and Partners law firm successfully represented the Hungarian State on appeal to the Metropolitan Regional Court against claims brought against it by the Hungarian town of Budaors involving challenges to aspects of the country's Budget Act.	N/A	Hungary
Oct-17	Clifford Chance; Dr. Zsolt Szita Law Office; Lakatos, Kovacs and Partners; Linklaters	Lakatos, Kovacs and Partners provided Hungarian law advice and Clifford Chance London acted as international legal advisor to joint lead managers Deutsche Bank AG, London Branch, BNP Paribas, Citigroup, and ING Wholesale Banking London and stabilization manager Deutsche Bank AG, London Branch in connection with Hungary's issue of international bonds with a 1.75% coupon for EUR 1,000,000,000 on 4 October, 2017 maturing in 2027. The Hungarian state was advised by the Dr. Zsolt Szita Law Office on matters of Hungarian law and Linklaters on English law.	EUR 1 billion	Hungary
Nov-17	HBK Partners	HBK Partners advised Konzum Group on a public takeover bid for Appeninn Holding Plc.	N/A	Hungary
Nov-17	Szabo Kelemen and Partners	Szabo Kelemen and Partners successfully represented Berlington Hungary kft. and several other Hungarian gambling operators against the Hungarian State in their claims for damages caused by the Hungarian legislation, which, in 2012, banned the operation of slot machines in arcade halls without providing a transitional period and without indemnification.	N/A	Hungary
Nov-17	Mayer Brown; Noerr	Noerr, working alongside global counsel Mayer Brown, advised IDI Gazeley on the acquisition of its European division, Gazeley, by Global Logistic Properties.	USD 2.4 billion	Hungary
Sep-17	Sorainen	Sorainen provided legal advice to Regional Investment Bank as a mortgage creditor in a maritime dispute involving the forced sale of a ship.	N/A	Latvia
Sep-17	Sorainen	Sorainen represented Norwegian shipbuilding company Folla Maritime Service in negotiations with Rigas Kugu Buvetava (Riga Shipyard) regarding execution of a shipbuilding contract under Latvian law.	N/A	Latvia
Sep-17	Cobalt	Cobalt reported that the Supreme Court of Latvia passed a judgment recognizing the rights of firm client Otkritie Capital International Ltd. to recover almost EUR 14.8 million.	EUR 14.8 million	Latvia
Oct-17	Cobalt	Cobalt advised Latvian investor Hansalink SIA on its acquisition of a direct qualifying holding in Bank M2M Europe.	N/A	Latvia
Oct-17	Ellex (Klavins)	Ellex Klavins advised New Hanza Capital, acting via its NHC 2, SIA subsidiary, on the acquisition of three office buildings on the territory of Latvia's former State Electro-Technical Factory from Salvus 6, SIA, a subsidiary of DNB Bank.	EUR 8.46 million	Latvia
Oct-17	BDO Law; Ellex (Klavins); TGS Baltic	Ellex Klavins successfully represented JCDecaux Latvia before the Latvian Competition Council in a matter regarding the placement of outdoor advertising on public transportation stops. TGS Baltic represented Clear Channel Latvia in its application to the Latvian Competition Council "that led to Council's infringement decision establishing that SIA Rigas Satiksme, SIA Pilsetas linijas, and SIA JCDecaux had committed competition law violation in relation to contracts on rights to place outdoor advertisements." BDO Law prepared a written undertaking on behalf of SIA Rigas Satiksme.	N/A	Latvia
Oct-17	Cobalt	Cobalt advised AB SEB Banka on its role as arranging bank on the October 10th issuance of EUR 20 million Green bonds by Latvia's state-owned JSC Development Finance Institution Altum.	EUR 20 million	Latvia
Sep-17	TGS Baltic	TGS Baltic advised Lietuvos Energija on its sale of shares in Duomenu Logistikos Centras to Telia Lietuva.	N/A	Lithuania
Sep-17	Sorainen	Sorainen advised Zurnalu Leidybos Grupe, the publisher of the popular Lithuanian magazines "Zmones", "Laima", "Ji", and "Edita" and the operator of the portals Zmones.lt, Ji24.lt, Elaima.lt, and Shopspy.lt, on the transfer of its business to Media Bites.	N/A	Lithuania
Sep-17	Motieka & Audzevicius	Motieka & Audzevicius assisted listed company Lifland Gaming in its acquisition of 100% of shares in Baltic Bet – a betting services company in Lithuania.	N/A	Lithuania

Date covered	Firms Involved	Deal/Litigation	Value	Country
Sep-17	Glimstedt	Glimstedt advised UAB Asseco Lietuva on its acquisition of Saikas UAB.	N/A	Lithuania
Sep-17	Cobalt	Cobalt successfully persuaded Lithuania's Supreme Administrative Court to reduce a fine imposed on client UAB Ministerium by the Lithuanian Competition Council from EUR 8,000 to EUR 4,000.	EUR 8,000	Lithuania
Oct-17	Motieka & Audzevicius	Motieka & Audzevicius assisted UAB Elektroniniu Pinigu Bite in obtaining an e-money institution license for activities in Lithuania.	N/A	Lithuania
Oct-17	TGS Baltic; Motieka & Audzevicius	TGS Baltic advised venture capital fund Litcapital I on the buyout of 85 percent of shares in semiconductor laser company Brolis Semiconductors by the Brolis Group. Motieka & Audzevicius advised the buyers on the deal.	N/A	Lithuania
Oct-17	Ellex; TGS Baltic	TGS Baltic advised Medicinos Bankas on its purchase of rights of claim to a EUR 29.8 million loan portfolio from UAB Baltijos Kredito Sprendimai to home, student, and consumer loans of former clients (natural persons) of the failed bank Snoras. Ellex reportedly advised the sellers on the deal.	EUR 29.8 million	Lithuania
Oct-17	Ellex (Valiunas)	Acting upon the request of Mano Unija, the largest credit union in Lithuania, the Bank of Lithuania has issued authorization for it to start transforming into a public company with a bank license. Ellex Valiunas advised Mano Unija on the process.	N/A	Lithuania
Oct-17	Motieka & Audzevicius	Motieka & Audzevicius successfully defended the interests of public non-profit deposit system administration institution Uzstato Sistemos Administratorius in contractual litigation.	N/A	Lithuania
Oct-17	TGS Baltic	TGS Baltic represented BaltCap Infrastructure Fund on the entrance into a EUR 16 million engineering, procurement, and construction contract with Axis Technologies to develop a biomass plant in Vilnius.	EUR 16 million	Lithuania
Oct-17	Sorainen	Sorainen advised Decathlon on its entrance into Lithuania and the Baltics.	N/A	Lithuania
Oct-17	Cobalt; Sorainen	Sorainen advised Blue Ocean Invest on the sale of 100% shares in Interneto Partneris to the Otravo Group. The buyers were advised by Cobalt.	N/A	Lithuania
Oct-17	Aversus	Averus advised the Kaunas Free Economic Zone Management Company in Lithuania on its agreement with Hollister for the American lifestyle brand (owned by Abercrombie & Fitch Co.) to set up a new plant in the zone.	N/A	Lithuania
Oct-17	Sorainen	Sorainen advised Orkla Care and Orkla Health on intellectual property matters.	N/A	Lithuania
Oct-17	Cobalt; TGS Baltic	Cobalt advised Lithuanian dairy company AB Rokiskio Suris on the acquisition of 10% of its shares by global dairy giant Fonterra. TGS Baltic advised Fonterra on the deal.	EUR 7 million	Lithuania
Nov-17	Sorainen	Sorainen has drafted a letter on potential opposition to the Cloud Raiders trademark of global game developer Game Insight and registered the company's Cloud Raiders, Guns of Boom, and GEOTWIST trademarks.	N/A	Lithuania
Nov-17	Sorainen	Sorainen advised Google on its launch of YouTube Kids and Google Play ToS in the Lithuanian market as well as assisting the company in issues related to misleading content.	N/A	Lithuania
Nov-17	TGS Baltic	TGS Baltic represented UAB Nordic Food Republic on a restaurant lease agreement with UAB Blendas, the owner of a hotel located in the historic mansion of the Pacai family that is expected to open next year.	N/A	Lithuania
Nov-17	Sorainen	Sorainen advised the Open Circle Capital venture capital fund on the launch of its operations in Lithuania.	N/A	Lithuania
Nov-17	Ellex (Valiunas)	Ellex Valiunas assisted UK financial technologies start-up Revolut on its successful application to the Bank of Lithuania for a banking license.	N/A	Lithuania
Nov-17	Sorainen	Sorainen advised German technology company Continental on building a new electronic components manufacturing plant in the Kaunas region of Lithuania.	N/A	Lithuania
Nov-17	Sulija Partners Law Firm Vilnius; TGS Baltic	TGS Baltic represented both Aircastle Limited and Aero Capital Solutions Inc. on the sale and leveraged purchase of two aircraft registered in Lithuania and leased to Lithuania air carrier Small Planet Airlines UAB. The Sulija Partners Law Firm Vilnius represented Small Planet Airlines on the deal and on lease novation legal matters.	N/A	Lithuania
Nov-17	Sorainen	Sorainen advised the Finnish fund YCE Housing I, managed by Vicus Capital Advisors Limited, on its investment in Stage I of the Raitinku Sodai residential construction project in Vilnius.	N/A	Lithuania
Sep-17	Ellex (Valiunas); White & Case	A legal position developed by Ellex Valiunas and White & Case on behalf of the Lithuanian Ministry of Justice in a dispute with Vladimir Antonov, the former owner of Snoras bank, was accepted by Russian courts.	N/A	Lithuania; Russia
Oct-17	Georgi Dimitrov Law Firm; Karanovic & Nikolic	Macedonian lawyers cooperating with Karanovic & Nikolic advised Central Asia Metals on its acquisition of 100% of Lynx Resources from Orion Co-investments III and Fusion Capital. The Georgi Dimitrov Law Firm reportedly advised the sellers.	EUR 340 million	Macedonia



Date covered	Firms Involved	Deal/Litigation	Value	Country
Nov-17	Law Office Vujacic	Law Office Vujacic advised Atlas Invest on the EUR 3.2 million sale of "The Old Post" building in Budva, Montenegro, to an unnamed private individual.	EUR 3.2 million	Montenegro
Sep-17	CMS	CMS advised the chipboard producer Egger on construction of a factory in Poland.	PLN 1 billion	Poland
Sep-17	Dentons; White & Case	Dentons advised German banks Helaba, Deutsche Pfandbriefbank, and Berlin Hyp on their refinancing of the Warsaw Spire office complex. White & Case advised Belgian company Ghelamco on the deal.	EUR 370 million	Poland
Sep-17	Studnicki Pleszka Cwiakalski Gorski; WKB Wiercinski, Kwiecinski, Baehr	WKB Wiercinski, Kwiecinski, Baehr advised PKO Bank Polski on the purchase by PKO BP Finat Sp. z o.o. of 100% of the shares in KBC TFI S.A. from KBC Asset Management, a Belgian fund manager from the KBC banking group. SPCG advised KBC on the deal.	N/A	Poland
Sep-17	Domanski Zakrzewski Palinka; K&L Gates	K&L Gates advised a consortium of banks consisting of Mercurius Dom Maklerski (as global co-ordinator), mBank and Trigon Dom Maklerski (as joint-bookrunners), and mCorporate Finance and Trigon Investment Banking (as financial advisors) in connection with the sale of 51.17% of the shares of LC Corp in an accelerated bookbuilding process by shareholders Leszek Czarnecki, LC Corp BV, Getin Noble Bank, Open Finance, and Open Life. DZP reportedly advised the selling shareholders on the sale, which is valued at approximately 500 million zlotys.	PLN 500 million	Poland
Sep-17	SMM Legal	SMM Legal represented Energa-Obrot S.A. in 22 court and arbitration cases concerning framework agreements for the sale of proprietary rights under certificates of origin for the energy generated from wind farms.	N/A	Poland
Sep-17	CMS; Deloitte Legal; Gessel; Weil Gotshal & Manges	CMS, Weil Gotshal & Manges, and Gessel have advised the sellers of Poland's Mila SA supermarket chain to Eurocash SA. Eurocash was advised by Deloitte Legal on the deal.	PLN 350 million	Poland
Sep-17	Studnicki Pleszka Cwiakalski Gorski	SPCG successfully represented Termo Organika sp. z o.o. in a dispute with the Styrokon styrofoam manufacturer.	N/A	Poland
Oct-17	Mrowiec Fialek and Partners	Mrowiec Fialek and Partners advised Nowa Era sp. z o.o. on the intra-group acquisition of the assets of Young Digital Planet S.A. via a spin-off of the company.	N/A	Poland
Oct-17	Dentons	Dentons advised Ghelamco Poland on the sale of Building B in the Warsaw Spire office complex to CA Immo. Greenberg Traurig reportedly advised the buyers on the transaction.	EUR 100 million	Poland
Oct-17	Dentons	Dentons advised Globalworth on an agreement to acquire a controlling stake in Griffin Premium Real Estate.	N/A	Poland
Oct-17	Cuatrecasas; Kochanski Zieba & Partners; Loyens & Loeff; Mayer Brown; Paul Hastings; Weil Gotshal & Manges; Willkie, Farr & Gallagher	Kochanski Zieba & Partners, working alongside Paul Hastings (Europe) LLP, Cuatrecasas, and Loyens & Loeff, advised a consortium of banks consisting of Goldman Sachs, Morgan Stanley, HSBC, JPMorgan, BNP Paribas, and Lloyds as arrangers in respect to EUR 900 million of senior facilities to finance the acquisition of IPH Group by Brammer – a portfolio company of private equity firm Advent International. The London office of Weil advised Brammer on both the financing and the acquisition itself. Willkie, Farr & Gallagher advised the sellers – PAI Partners – and Mayer Brown advised the management team.	N/A	Poland
Oct-17	Dentons; Weil Gotshal & Manges	Dentons advised Griffin Premium Real Estate on its EUR 160 million acquisition of 100% shares in entities owning three office properties from Echo Polska Properties. Weil advised the sellers on the deal.	EUR 160 million	Poland
Oct-17	act (BSWW)	Act BSWW provided legal services to investment funds managed by Credit Value Investment on the issuance of bonds by Telematics Technologies sp. z o.o. with a total nominal value of approximately PLN 48 million for the purpose of refinancing the participation of MCI. Tech Ventures in Naviexpert sp. z o.o.	PLN 48 million	Poland
Oct-17	Arcliffe	Arcliffe Warsaw advised Bank Polska Kasa Opieki S.A. on approximately PLN 24,500,000 in financing provided to the Napolo Group for the development of the Nowy Punkt 3 residential complex in Warsaw.	PLN 24.5 million	Poland
Oct-17	Act (BSWW); Studnicki Pleszka Cwiakalski Gorski	SPCG advised PKO BP S.A. in connection with loans granted to the Buma Group for the construction of an office building in the Wadowicka 3 complex in Krakow. Act BSWW reportedly advised the Buma Group.	N/A	Poland
Oct-17	WKB Wiercinski, Kwiecinski, Baehr	WKB Wiercinski, Kwiecinski, Baehr assisted C1015Nokia Solutions and Networks sp. z o.o. in negotiating and entering into an agreement with PHN Capital Group for the lease of new office space.	N/A	Poland

Date covered	Firms Involved	Deal/Litigation	Value	Country
Oct-17	Dentons; Hogan Lovells; King & Spalding	Dentons and King & Spalding advised Triuva Kapitalverwaltungsgesellschaft mbH on its approximately EUR 48.5 million acquisition of the new Green Day office building in Wroclaw. The seller, a Luxembourg fund advised jointly by GLL Real Estate Partners and Investec Bank PLC, was advised by Hogan Lovells.	EUR 48.5 million	Poland
Oct-17	CMS	CMS advised mBank on establishing the mAccelerator corporate venture capital fund.	EUR 50 million	Poland
Oct-17	Studnicki Pleszka Cwiakalski Gorski	SPCG advised Mayr-Melnhof Packaging Int. GmbH and a Polish entity from its capital group on the acquisition of a production plant and acquisition of real estate from ASG Poland S.A.	N/A	Poland
Oct-17	Noerr	Noerr advised Polish privately-owned meat processor Cedrob on its acquisition of 100% shares in Zaklady Miesne Silesia, a Polish meat producer of pork, beef, and poultry, from its owners.	N/A	Poland
Oct-17	Baker McKenzie; White & Case	White & Case advised companies from the Ghelamco group on financing of up to EUR 221 million and PLN 45 million (a total amount of approximately PLN 1 billion) received from a consortium of financial institutions including Bank Zachodni WBK S.A., PKO BP S.A., Bank Pekao S.A., Bank BGZ Paribas S.A., and Raiffeisen Bank Polska S.A. that will be used to construct an office-services-hotel complex called The Warsaw Hub. Baker McKenzie advised the lenders on the deal.	PLN 1 billion	Poland
Oct-17	Eversheds	Wierzbowski Eversheds Sutherland and PwC advised the Polish Power Exchange on the implementation of the MiFID II package.	N/A	Poland
Oct-17	Czabanski & galuszynski	Czabanski & Galuszynski advised Bank Pekao S.A. on the refinancing of the Q Hotel chain.	N/A	Poland
Oct-17	Greenberg Traurig	Greenberg Traurig advised Alior Bank on the establishment of a bond issuance program with a nominal value of up to PLN 1.2 billion.	PLN 1.2 billion	Poland
Oct-17	Chajec, Don- Siemion & Zyto	Chajec, Don-Siemion & Zyto advised the NanoGroup S.A. biotech company on preliminary stages of the process of listing the company on the Warsaw Stock Exchange.	N/A	Poland
Oct-17	CMS; PwC Legal	CMS advised Coast2Coast, a South African private investment fund, on the acquisition of Wielkopolska Wytownia Zywnosci Profi – a manufacturer of pâtés and soups sold under the Profi brand. PwC Legal advised Profi on the transaction.	N/A	Poland
Oct-17	Eversheds	Wierzbowski Eversheds Sutherland advised Nokia Solutions and Networks Sp. z oo on the establishment of a consortium in connection with the tender procedure for PKP PLK concerning the construction of the ERTMS/GSM-R system of railway lines in Poland.	N/A	Poland
Nov-17	Weil, Gotshal & Manges	Weil attorneys in Paris and Warsaw obtained a ruling from the French tax authorities officially recognizing the Auschwitz-Birkenau Foundation as one of the few foreign entities to which bequests and donations can qualify for full tax exemption.	N/A	Poland
Nov-17	Clifford Chance; Weil, Gotshal & Manges	Clifford Chance Warsaw advised Mid Europa Partners on its agreement to acquire Hortex Group from funds advised by Argan Capital. Weil advised Argan Capital on the deal.	N/A	Poland
Nov-17	CMS; K&L Gates	K&L Gates advised Trigon Brokerage S.A., offeror and book runner, on the IPO of Venture Inc S.A. and its introduction to trading on the Warsaw Stock Exchange. CMS advised Venture Inc.	PLN 30 million	Poland
Nov-17	Greenberg Traurig	Greenberg Trauig advised Gremi Media S.A., the publisher of Poland's daily newspapers "Rzeczpospolita" and "PARKIET Gazeta Gieldy i Inwestorow," on the listing of its shares on the NewConnect market, the alternative trading system of the Warsaw Stock Exchange. The listing involved 1,138,500 shares of the Company, with a nominal value of PLN 4 per share.	N/A	Poland
Nov-17	Jara Drapala & Partners	JD&P reported that the Court of Appeal in Warsaw had awarded a "seven-digit amount" to firm client PORR (a contractor of road and bridge construction projects) in a dispute against Poland's General Directorate for National Roads and Highways.	N/A	Poland
Nov-17	Clifford Chance; DLA Piper; Hogan Lovells	Hogan Lovells advised arrangers and joint lead managers Credit Agricole Corporate & Investment Bank and StormHarbour Securities on the securitization of a portfolio of lease receivables worth PLN 2.2 billion originated by Europejski Fundusz Leasingowy S.A., a Polish leasing company owned by Credit Agricole S.A. DLA Piper was legal advisor of EFL S.A., and Clifford Chance advised the European Investment Bank and European Investment Fund.	PLN 2.2 billion	Poland
Nov-17	Aabo-Evasen & Co.; Norton Rose Fulbright	Norton Rose Fulbright advised Grzegorz Lysiuk and Marek Bardzinski on the sale of their shares in ComVision sp. z o.o. to LINK Mobility Group ASA. Norway's Aabo-Evensen & Co advised the buyers on the transaction, which was completed based on an agreed enterprise value of EUR 16 million on a cash-free and debt-free basis.	EUR 16 million	Poland

Date covered	Firms Involved	Deal/Litigation	Value	Country
Nov-17	Kochanski Zieba & Partners; Plesner	Kochanski Zieba & Partners, working alongside global counsel Plesner, advised global investment firm Marlin Equity Partners on its acquisition of Medius Poland, as part of a wider international transaction whereby Marlin acquired holding company Medius AB, a provider of cloud-based accounts payable automation software.	N/A	Poland
Nov-17	Gessel; Squire Patton Boggs	Squire Patton Boggs advised Mariusz Koczwar, the owner of the Polish gluten-free manufacturer Bezgluten, on his sale of the company to Bounty Brands, the food division of Coast2Coast. Gessel advised Coast2Coast on the deal.	N/A	Poland
Nov-17	Domanski Zakrzewski Palinka; Kurzynski Kosinski Lyszyk Wierzbicki;+ Nestor Nestor Diculescu Kingston Petersen; Popovici, Nitu, Stoica & Asociatii	Romania's Popovici, Nitu, Stoica & Asociatii and Poland's Kurzynski Kosinski Lyszyk Wierzbicki advised the Romanian and Polish subsidiaries of the Etanco Group on their acquisition of the subsidiaries of Gunnebo Fastening in those two countries. NNDKP, working along lead counsel Fidel, advised Gunnebo Fastening on the Romanian side of the transaction, with DZP reportedly advising Gunnebo Fastening on the sale of its Polish subsidiary.	N/A	Poland; Romania
Nov-17	Avellum; White & Case	Avellum, working alongside global advisor White & Case, provided Ukrainian legal advice to Coast2Coast on the acquisition of Poland-based Stella Pack by Coast2Coast portfolio company Bounty Brands.	N/A	Poland; Ukraine
Sep-17	Tuca Zbarcea & Asociatii	Tuca Zbarcea & Asociatii advised Fortuna Entertainment Group N.V., acting through Fortuna Romania, on various gambling regulatory aspects as well as on corporate, IP and insolvency laws matters related to its acquisitions of Bet Active Concept S.R.L., Bet Zone S.R.L., Public Slots S.R.L., and Slot Arena S.R.L.	EUR 47 million	Romania
Sep-17	Firon Bar-Nir; Popovici Nitu Stoica & Asociatii	Popovici Nitu Stoica & Asociatii advised Auchan on its acquisition of a land plot in Timisoara, Romania, from Plaza Centers. The seller was assisted by Firon Bar-Nir.	EUR 7.25 million	Romania
Sep-17	NNDKP; Tuca Zbarcea & Asociatii	Tuca Zbarcea & Asociatii advised Elit Cugir on its sale of a 100% stake in two packaged meat manufacturers in Romania – Elit SRL and Vericom SRL – to the Smithfield Foods Inc unit of WH Group Ltd. Nestor Nestor Diculescu Kingston Petersen advised the buyers on the deal.	N/A	Romania
Sep-17	BPV (Grigorescu Stefanica)	BPV Grigorescu Stefanica persuaded the Romanian Court of Appeal that an international architecture competition titled "The New MNIR" should be re-opened, after it had been cancelled by the director of the National History Museum of Romania.	N/A	Romania
Oct-17	Popovici Nitu Sotica & Asociatii	Popovici Nitu Stoica & Asociatii advised long-standing client Swietelsky Romania on its successful tender for the award of a railway infrastructure construction agreement by Romania's National Railway Company.	RON 20 million	Romania
Oct-17	PeliFilip	PeliFilip, working alongside Linklaters, assisted Romania's Ministry of Public Finance in a Eurobonds issuance which attracted EUR 1 billion from international markets, through the re-opening of an April 2017 issue, with a maturity of 10 years and a coupon of 2.375%.	EUR 1 billion	Romania
Oct-17	Allen & Overy	RTPR Allen & Overy advised private equity fund ADM Capital on the sale of Brikston Construction Solutions S.A. (previously Ceramica S.A.) to the Austrian group Wienerberger.	N/A	Romania
Nov-17	Allen & Overy; Popovici, Nitu, Stoica & Asociatii	RTPR Allen & Overy advised Societatea Energetica Electrica S.A. on its acquisition of the minority stakes previously held by Fondul Proprietatea in the company's energy distribution and supply subsidiaries. PNSA advised the sellers on the deal.	RON 752 million	Romania
Nov-17	Allen & Overy; Schoenherr	RTPR Allen & Overy advised Wood & Company Financial Services and Raiffeisen Bank as joint book-runners on the IPO of Sphera Franchise Group and admission to trading on the Bucharest Stock Exchange. Schoenherr Bucharest advised Sphera on the IPO, which represented approximately 25.3% of the company's share capital.	N/A	Romania
Sep-17	Dentons	Dentons represented Rosgosstrakh in its USD 300 million joint venture with Guohe Life (China), Anxin Trust & Investment, and other investors involving the creation of a new Chinese insurance company.	USD 300 million	Russia
Sep-17	Dentons	Dentons Moscow advised CarPrice on a minority investment into its Japanese subsidiary from Mitsui.	N/A	Russia
Sep-17	Dentons	Dentons advised a consortium consisting of the Russian Direct Investment Fund and several prominent Middle Eastern funds on the acquisition of a minority stake in Russian Helicopters from Rostec.	N/A	Russia
Sep-17	DLA Piper	DLA Piper advised the FiveTen Group on its sale of Antal Russia, one of the largest recruitment companies in Russia and other CIS countries, back to the Antal International Group.	N/A	Russia

Date covered	Firms Involved	Deal/Litigation	Value	Country
Sep-17	Clifford Chance; CMS	Clifford Chance Moscow advised 11 international banks on a USD 850 million pre-export financing for Uralkali. CMS advised Uralkali on the financing.	USD 850 million	Russia
Sep-17	DLA Piper	DLA Piper advised AviaAM Financial Leasing China on the acquisition, financing, leasing, and delivery of eight Airbus A320 family aircraft.	USD 500 million	Russia
Oct-17	Dentons; DLA Piper	DLA Piper advised Service-Telecom, a participant in the telecoms tower infrastructure market in the Moscow Region, on the acquisition of a 100% stake in Link Development, a prominent telecoms tower company in Northwest Russia. Dentons advised the unidentified sellers on the deal.	N/A	Russia
Oct-17	Goltsblat BLP	Goltsblat BLP advised Sberbank Investments in its capacity as restructuring agent on the restructuring of the Genser group's debt portfolio.	N/A	Russia
Oct-17	Goltsblat BLP	Goltsblat BLP won a dispute in the Supreme Court of Russia for Wine Brandy Plant Alliance-1892 LLC against Russia's Federal Tax Service's Inter-district Office for Major Taxpayers No. 3.	N/A	Russia
Oct-17	Egorov Puginsky Afanasiev & Partners	Egorov Puginsky Afanasiev & Partners has defended Total in a multi-billion-dollar dispute with the administrations of Russia's Volgograd and Saratov regions before ad hoc arbitrators in accordance with UNCITRAL Arbitration Rules.	N/A	Russia
Oct-17	Goltsblat BLP	Goltsblat BLP advised PJSC MTS, a prominent telecommunications provider in Russia, on its acquisition of a 50.82% stake in Russian retail software developer Oblachny Retail LLC, which operated under the LiteBox brand.	N/A	Russia
Oct-17	Vegas Lex	Vegas Lex advised Sanofi on its entrance into one of the first federal special investment contracts with the Russian Ministry of Industry and Trade and the Oryol Region Government.	N/A	Russia
Oct-17	DLA Piper	DLA Piper was the official legal partner of a project bringing a Russian production of Peter Morgan's play "The Audience" to the stage.	N/A	Russia
Oct-17	FBK Legal	FBK Legal represented Yamaha in a successful debt recovery matter involving equipment it supplied worth more than RUB 200 million against a Russian dealer. FBK Legal also won a lawsuit initiated by the dealer who tried to contest a mortgage agreement used as collateral for the debt.	RUB 200 million	Russia
Oct-17	Danilov & Konradi	Danilov & Konradi advised CRYPTO20 on the launch of the world's first tokenized cryptocurrency index and its October 16, 2017 initial coin offering.	N/A	Russia
Oct-17	DLA Piper; Freshfields Bruckhaus Deringer	DLA Piper advised ADG group, a Russian urban developer, on the establishment of a joint venture with South Korea's CJ CGV, the fifth largest multiplex theatre company in the world. Freshfields Bruckhaus Deringer advised CJ CGV on the JV, in which the ADG Group holds a 30% stake, and CJ CGV holds all the remaining shares.	N/A	Russia
Nov-17	Cleary Gottlieb Steen & Hamilton; Herbert Smith Freehills	Cleary Gottlieb Steen & Hamilton advised the Far-Eastern Shipping Company PLC and its subsidiaries on a new scheme of arrangement sanctioned by the High Court of Justice of England and Wales via an order dated November 3, 2017. Herbert Smith Freehills advised VTB Bank PJSC on the matter.	N/A	Russia
Nov-17	White & Case	White & Case advised Nordic telecoms operator Telia Company on the USD 1 billion sale of its approximately 19 percent holding in MegaFon, a federal mobile telecoms operator in Russia, to Gazprombank.	USD 1 billion	Russia
Nov-17	Pepelaev Group	The Pepeliaev Group successfully represented the REHAU manufacturer of plastic windows in its challenge of decisions of Russia's Federal Customs Service regarding its classification of imported REHAU goods.	N/A	Russia
Nov-17	Goltsblat BLP	Goltsblat BLP acted as Russian legal counsel for Ferronordic Machines AB on the offering and listing of its ordinary shares on Nasdaq Stockholm.	N/A	Russia
Oct-17	Debevoise & Plimpton	Lord Goldsmith QC of Debevoise & Plimpton and a team from Akin Gump represented Russian state-owned oil company PJSC Tatneft in its successful appeal in the English Court of Appeal from a summary judgment decision of the English High Court, allowing the case to proceed to trial.	N/A	Russia; Ukraine
Sep-17	Karanovic & Nikolic	Karanovic & Nikolic advised the Belgian renewable energy group Elicio NV on the EUR 9.8 million financing its wholly-owned subsidiary Electrawinds Mali WF d.o.o. received from UniCredit Bank Serbia for the development, construction, and operation of the Malibunar wind park.	EUR 9.8 million	Serbia
Oct-17	JPM Jankovic Popovic Mitic	The Appellate Court in Belgrade granted the appeal of Serbian business magnate Miroslav Miskovic made by his counsel, including JPM Senior Partner Nenad Popovic, and reversed the decision of the Higher Court in Belgrade (Organized Crime Unit), clearing Miskovic of charges of abuse of office and reversing a guilty verdict against him on tax evasion charges.	N/A	Serbia

Date covered	Firms Involved	Deal/Litigation	Value	Country
Oct-17	Bojanovic & Partners; Havel, Holasek & Partners; JPM Jankovic Popovic Mitic	JPM and Havel, Holasek & Parters have advised Dr. Max Group on the acquisition by its AsterFarm subsidiary of prominent Serbian pharmacy chains Farmanea and Farmakop. Bojanovic & Partners advised the sellers, Lovorka Nikolic and Miomir Nikolic.	N/A	Serbia
Oct-17	Karanovic & Nikolic	Karanovic & Nikolic advised AmSpec on the acquisition of Agri Services doo – an inspection and testing company serving the Agricultural and Petroleum market in the Danube region from locations in Serbia and Hungary.	N/A	Serbia
Oct-17	Karanovic & Nikolic	Karanovic & Nikolic was part of a consortium of advisors to the City of Belgrade and the IFC on local law aspects of a PPP project for the landfill remediation and development of a waste treatment facility in the Vinca section of Belgrade.	N/A	Serbia
Oct-17	Gecic Law	Gecic Law advised the Government of Serbia and the Smederevo steel mill before the European Commission in relation to an anti-dumping investigation involving imports of hot-rolled flat steel products originating in Brazil, Iran, Russia, Serbia, and Ukraine.	N/A	Serbia
Oct-17	BDK Advokati	BDK Advokati advised TTTech Computertechnik AG on the increase of its shareholding in Novi Sad-based RT-RK to 51.12% by means of an acquisition of additional 16.12% of the company's share capital in a cash-out transaction.	N/A	Serbia
Nov-17	Gecic Law	Gecic Law acted as legal counsel to the Government of Serbia and the Zelezara Smederevo steel mill with respect to an European Commission investigation on State Aid received by the old company, and the potential obligation of Hesteel Serbia to reimburse it, under the Stabilization and Association Agreement.	N/A	Serbia
Oct-17	Zivkovic Samardzic	Zivkovic Samardzic advised Radenska, the Slovenian member of the Kofola CeskoSlovensko Group, on the winding up of its subsidiary in Belgrade.	N/A	Serbia; Slovenia
Sep-17	Squire Patton Boggs	Squire Patton Boggs won a victory for Frucona Kosice in the European Court of Justice, which denied an appeal brought by the European Commission regarding its decision to block Slovak Republic aid to the alcoholic spirits company.	N/A	Slovakia
Oct-17	Dentons; Kinstellar	Dentons' Bratislava office advised CNIC Corporation Ltd., an investment company owned by the Chinese government, on its acquisition of Prologis Park Galanta-Gan in Slovakia from Prologis. Kinstellar advised Prologis on the deal.	N/A	Slovakia
Oct-17	Havel, Holasek & Partners; Majernik & Mihalikova; Taylor Wessing	Taylor Wessing Bratislava advised GA Drilling on its recently-closed investment round that saw new significant investors enter the company, including a strong local private equity group (ARKON, a.s.), a venture capital fund (Slovak Venture Fund S.C.A.), and a global multi-asset class fund (InfraPartners Management). Majernik & Mihalikova advised ARKON, AKF Lawyers represented Slovak Venture Fund S.C.A., and Havel, Holasek & Partners represented existing GA Drilling shareholder Schoeller-Bleckmann Oilfield Equipment AG.	N/A	Slovakia
Sep-17	ODI Law Firm	ODI advised SKB Banka D.D. Ljubljana as a financial creditor on the court-sanctioned procedure of preventive restructuring of approximately EUR 200 million of financial debt of the DZS Group companies Delo Prodaja, d.d., Terme Catez d.d., and DZS d.d.	EUR 200 million	Slovenia
Oct-17	Wolf Theiss	Wolf Theiss advised a banking group consisting of UniCredit, RBI, NLB, and SKB Banka on the recapitalization of AGIC and its subsidiary, Fotona, in a re-financing.	N/A	Slovenia
Sep-17	Baker & McKenzie; Hogan Lovells; Paksoy	The Esin Attorney Partnership advised Burgan Bank on a USD 117,000,000 and EUR 75,000,000 syndicated multi-tranche term loan agreement with 14 international banks. The lenders were advised by Paksoy and Hogan Lovells.	USD 117 million; EUR 75 million	Turkey
Sep-17	Schoenherr	Schoenherr advised Austria's Greiner Packaging International GmbH on its acquisition of TGM1, thereby assuming ownership of all shares in Teknik Plastik Greiner Ambalaj Sanayi Ve Ticaret Anonim Sirketi, a prominent Turkish packaging and labelling company.	N/A	Turkey
Sep-17	Moral Law Firm	The Moral Law Firm advised Barcin Spor, a Turkish sports equipment retailer, on its acquisition of nine stores from an unnamed national retailer.	N/A	Turkey
Sep-17	Paksoy	Paksoy advised LINPAC Packaging, a global player in the food packaging industry, on the September 21 sale of 76% of the shares in its Turkish subsidiary, ST Plastik, to Sedat Tahir Consumer Goods Industry.	N/A	Turkey
Oct-17	Allen & Overy; Dentons (BASEAK); Gedik & Eraksoy	Balcioglu Selcuk Akman Keki Avukatlik Ortakligi acted as Turkish counsel and Dentons acted as English and United States counsel to Coca-Cola Icecek Anonim Sirketi, the Coca-Cola bottler for Turkey, Central Asia, Pakistan, and the Middle East, on its Rule 144A/Regulation S issuance of USD 500 million 4.215% Notes due 2024. Gedik & Eraksoy and Allen & Overy advised joint lead managers Citibank International, HSBC Bank, J.P. Morgan Securities, MUFG Securities EMEA, and BNP Paribas.	USD 500 million	Turkey

Date covered	Firms Involved	Deal/Litigation	Value	Country
Oct-17	Herguner Bilgen Ozeke; Paksoy	Paksoy advised Doktas Metal on its acquisition of 93.57% of Componenta Dokumculuk, the Turkish subsidiary of Finnish Componenta Group, from the Compinenta Corporation, and advised Componenta Dokumculuk on the restructuring of its facility arrangement. Herguner Bilgen Ozeke represented the sellers.	N/A	Turkey
Oct-17	Kolcuoglu Dermirkan Kocakli; Slaughter and May	Slaughter and May and Kolcuoglu Demirkan Kocakli advised Equinix Inc on its acquisition of Zenium's data center business in Istanbul.	USD 93 million	Turkey
Oct-17	Dentons (BASEAK)	Balcioglu Selcuk Akman Keki Attorney Partnership advised Henkel in connection with the acquisition of the remaining 50% equity in Eczacibasi Schwarzkopf Kuafor Urunleri Pazarlama A.S. from former joint venture partner Eczacibasi, giving it complete ownership of the exclusive distributor of Schwarzkopf Professional hair products in Turkey.	N/A	Turkey
Oct-17	Paksoy	Paksoy advised Gentex Corporation on its entrance into a joint venture with Norbo Savunma Sanayi ve Dis Tic. Ltd. Sti. involving the manufacture and distribution of Gentex products.	N/A	Turkey
Oct-17	Baker McKenzie	The Esin Attorney Partnership and Baker McKenzie's Paris office advised ICBC Turkey Bank A.S., ICBC Yatirim Menkul Degerler A.S., and Industrial and Commercial Bank of China Ltd. on a USD 155 million term loan facility provided to Yapi Kredi.	USD 155 million	Turkey
Oct-17	Baker McKenzie	The Esin Attorney Partnership advised global audiobook firm Storytel Sweden AB on its acquisition of 100% of Turkish publisher Seslenenkitap Yayincilik Hizmetleri A.S.	N/A	Turkey
Oct-17	Paksoy	Paksoy advised Nordkalk on the acquisition of mining licenses from Biga Maden and the formation of a joint venture with a Turkish partner.	N/A	Turkey
Nov-17	Paksoy	Paksoy advised Condair Group AG, a Swiss manufacturer of commercial and industrial humidification devices and systems, on its entrance into a share purchase agreement and shareholders agreement with Gokhan Yalinay to establish a joint venture in Turkey.	N/A	Turkey
Nov-17	Schoenherr	Schoenherr successfully advised the association of Turkish freight forwarders and Istanbul Lojistik on an EU law infringement case against Hungary, which required Turkish freight forwarding companies to obtain a transit permit – some issued at no charge, most requiring the payment of a vehicle tax – to transport goods across its territory.	N/A	Turkey
Nov-17	White & Case	White & Case, Cakmak-Gokce, and Cakmak advised IFM Investors on its acquisition of 40% of the Mersin Port in Turkey from Akfen Holding A.S.	N/A	Turkey
Nov-17	YYU Legal	YYU Legal advised the Turkish Automobile Sports Federation, which is backed by the Ministry of Youth and Sports of the Republic of Turkey, on its entrance into an Event Promotion Agreement with the World Rally Championship Promoter GmbH, a Red Bull subsidiary, regarding Turkey's participation in the World Rally Championship organization.	N/A	Turkey
Sep-17	KPD Consulting	KPD Consulting helped Master-Avia LLC (the operator of the Kyiv International Airport) extend a USD 34 million loan facility from an unnamed commercial bank with foreign capital.	USD 34 million	Ukraine
Sep-17	KPD Consulting	KPD Consulting advised PJSC Sberbank on the enforcement of a guarantee.	N/A	Ukraine
Sep-17	Clifford Chance; Redcliffe Partners; CMS	Redcliffe Partners and Clifford Chance acted as legal counsel to the EBRD and the IFC in connection with their extension of two parallel senior secured loans to M.V. Cargo to finance the construction of a new private grain terminal in Ukraine's Black Sea commercial port, Yuzhny. CMS advised M.V. Cargo.	USD 74 million	Ukraine
Sep-17	KPD Consulting	KPD Consulting successfully represented ZED-Ukraine in the Economic Court of Kyiv in a debt collection matter.	N/A	Ukraine
Sep-17	Baker McKenzie	Baker McKenzie's Kyiv office supported Ukrenergo in implementing a corporate governance reform to institutionalize the supervisory board and ensure that the company's upgraded management structure is in line with OECD guidelines.	N/A	Ukraine
Sep-17	Asters	Asters advised the ViDi Group on the restructuring of debt belonging to group companies ViDi Autocity Kiltseva and LLC ViDi Autocity from JSC Oschadbank.	N/A	Ukraine
Oct-17	Avellum; Latham & Watkins; Sayenko Kharenko; White & Case	Avellum acted as Ukrainian legal advisor to the Ministry of Finance of Ukraine on its USD 3 billion, 15-year, 7.375% Eurobond issue, which was combined with a cash tender offer to the holders of the outstanding Eurobonds due 2019 and 2020. White & Case advised the Ministry of Finance on matters of English and American law, while Sayenko Kharenko (on Ukrainian law) and Latham & Watkins (on American and English law) advised joint lead managers BNP Paribas, Goldman Sachs, and J.P. Morgan Securities plc.	USD 3 billion	Ukraine
Oct-17	Gestors	Gestors successfully represented the interests of PJSC Donetskoblغاز in a dispute with the mayor of the city of Kramatorsk,.	N/A	Ukraine
Oct-17	Aequo; Sayenko Kharenko	Aequo advised Dragon Capital Group on its acquisition of the Prime and Eurasia business centers in Kyiv from BTA Bank, Ukraine. Sayenko Kharenko advised the sellers.	N/A	Ukraine

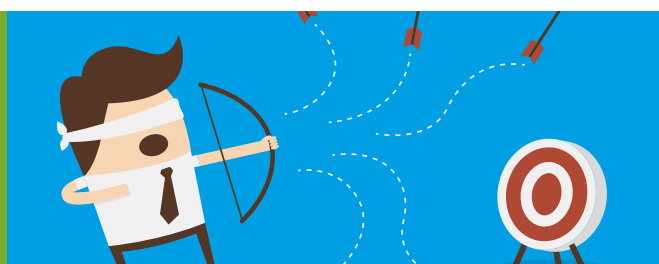
Date covered	Firms Involved	Deal/Litigation	Value	Country
Oct-17	Everlegal	Everlegal advised UDP Renewables, a Ukrainian developer of renewable energy projects, on the development of its 6 MW Dymerska Solar Power Plant.	N/A	Ukraine
Oct-17	Ilyashev & Partners	Ilyashev & Partners advised the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH concerning the structuring of relations with the beneficiaries of technical aid provided by the German government within the framework of the "Strengthening Social Infrastructure for Absorption of IDPs" project.	N/A	Ukraine
Oct-17	Vasil Kisil & Partners	Vasil Kisil & Partners successfully represented the interests of Imperial Tobacco Production Ukraine in a dispute with Ukrainian tax authorities.	N/A	Ukraine
Oct-17	Ilyashev & Partners	Ilyashev & Partners represented the Ukrainian State Strategic Enterprise "Antonov," in its motion in the Sviatoshynskyi District Court of Kyiv for enforcement of a judgment delivered by the International Commercial Arbitration Court at the Ukrainian Chamber of Commerce and Industry awarding more than UAH 32 million to Antonov from the Libyan Executive Authority for Special Flights.	UAH 32 million	Ukraine
Oct-17	Dentons	Dentons Kyiv advised Zeo Alliance, an international software developer, on various Ukrainian law issues related to the company's business structure in Ukraine.	N/A	Ukraine
Oct-17	Dentons; Sayenko Kharenko	Dentons acted as Ukrainian legal counsel to VTB Bank Germany with regard to the acquisition and subsequent restructuring of a USD 75 million loan to a large Ukrainian development company and security package from VTB Bank Ukraine. Sayenko Kharenko reportedly advised the borrower on the deal.	USD 75 million	Ukraine
Oct-17	Bird & Bird; Redcliffe Partners	Redcliffe Partners advised the EBRD on its USD 15 million loan to Ukraine's Agrofusion group to finance the construction of its third tomato processing plant. Bird & Bird advised the EBRD on matters of English law.	USD 15 million	Ukraine
Oct-17	Vasil Kisil & Partners	Vasil Kisil & Partners advised Mellanox Technologies, a software developer and supplier of hardware for data centers, on the opening of an R&D center in Kyiv.	N/A	Ukraine
Oct-17	Dentons	Dentons is part of a consortium awarded a public contract to provide "comprehensive legal, economic, financial, and technical advisory on a project to install extensive thermal insulation in a complex of public buildings in Bila Tserkva, Ukraine."	N/A	Ukraine
Oct-17	Sayenko Kharenko	Sayenko Kharenko advised VF Worldwide Holdings Ltd, an outsourcing and technology services specialist for governments and diplomatic missions worldwide, on obtaining the approval of the Antimonopoly Committee of Ukraine for a partnership arrangement with FMC Group FZE.	N/A	Ukraine
Oct-17	Baker McKenzie	Baker McKenzie's Kyiv office advised Billa-Ukraine on the sale of its three supermarkets in Dnipro and Zaporizhia to the Varus retail network.	N/A	Ukraine
Oct-17	Asters	Asters advised the EBRD on its up to USD 25 million financing to Ukraine's Novus, retail chain, which is owned by Lithuanian shareholders.	USD 25 million	Ukraine
Oct-17	Redcliffe Partners	Redcliffe Partners advised Stahl Lux 2 S.A. on its successful application for merger clearance from the Antimonopoly Committee of Ukraine for its acquisition of the leather chemicals business of BASF SE.	N/A	Ukraine
Nov-17	Detnons	Dentons acted as Ukrainian and Dutch legal counsel to the Join UP! group of companies, one of the largest Ukrainian tour operators, in connection with its corporate restructuring.	N/A	Ukraine
Nov-17	Avellum	Avellum successfully represented Ceska Exportni Banka, a.s in a number of cases against a Ukrainian corporate borrower in connection with the borrower's attempts to transfer mortgaged real estate assets securing a USD 37 million loan and a separate sale of the relevant loan and security claims.	USD 37 million	Ukraine
Nov-17	Integrites	Integrites represented Russian Aluminum in its successful application for the approval of the Antimonopoly Committee of Ukraine for its concentration with Glencore.	N/A	Ukraine

Full information available at: [www.ceelgmatters.com](http://www.ceelgmatters.com)

Period Covered: September 17 - October 17, 2017

## 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](mailto:press@ceelm.com)



# ON THE MOVE: NEW HOMES AND FRIENDS

## Greenberg Traurig Takes Real Estate Team from Hogan Lovells In Warsaw



The Warsaw office of Greenberg Traurig has added 11 members to its real estate practice in the persons of Partners Jolanta Nowakowska-Zimoch and Agata Jurek-Zbrojska, who move over from Hogan Lovells, bringing with them Local Partners Malgorzata Madej-Balcerowska and Justyna Szwech and seven Associates.

Nowakowska-Zimoch, who was the head of Hogan Lovells' Real Estate practice in Poland, takes over the now over 40-lawyer strong Greenberg Traurig practice. According to Greenberg Traurig, Nowakowska-Zimoch "brings more than 30 years of legal experience in real estate, focusing her practice on real estate transactions and financing of real estate projects. She has extensive experience in major transactions concerning commercial, office, and logistic properties and cross-border transactions. Her experience also includes arbitration proceedings in Poland."

"I have been observing with great interest the development of Greenberg Traurig's Real Estate Practice for the past two years and I know it will be a tremendously exciting experience to be a

member of this team," Nowakowska-Zimoch said.

"Adding this team to our already robust and top-rate practice is a tremendous win for us and for our clients who require a firm with a dynamic real estate presence," added Lejb Fogelman, the Warsaw office's Senior Partner.

## Jeantet Budapest Local Partner Ioana Knoll-Tudor Moves to Paris Office



Jeantet's Budapest Local Partner Ioana Knoll-Tudor has moved to the firm's Paris office to strengthen its international arbitration practice, particularly in the areas of commercial and investment arbitration.

According to Jeantet, Knoll-Tudor's "expertise in international arbitration is reinforced by her transactional experience," and the firm reports that "over the last ten years, Ioana [has]



represented international companies in complex cross-border transactions and in international arbitration procedures in most of the jurisdictions of Central and South-Eastern Europe.”

Ioana Knoll-Tudor is admitted to the Paris, Madrid, and Budapest Bars.

## DLA Piper Establishes EU-Greek Practice in Brussels

DLA Piper has announced the establishment of a Brussels-based EU-Greek Practice. According to the firm, the new practice will offer “a full cycle of EU-related services to Greek and Cypriot businesses and governmental organizations, and to international businesses active on the Greek market. It will serve as a gateway in two directions: inbound and outbound – to and from Greece.”

In addition, the firm reports, “together with DLA Piper’s dedicated EU Government Affairs team, the EU-Greek Practice is in a unique position to represent the interests of Greek clients at the law- and policy-making levels of the EU Institutions in Brussels.”

The practice will be headed by Counsel Orestis Omran.

## Dimitrov, Petrov & Co. Joins SELA Alliance



Bulgaria’s Dimitrov, Petrov & Co. has joined the South East Legal Alliance.

SELA now has members in seven jurisdictions, including Apostolska & Aleksandrovski in Macedonia, Bojovic & Partners of Serbia/Montenegro, Dimitrijevic & Partners in Bosnia and Herzegovina, Kirm Perpar in Slovenia, and Zurić i Partneri in Croatia.

## Magnusson Latvia Merges with Glimstedt

On October 1, 2017, the Latvian operations of Magnusson merged with Glimstedt and will operate under the Glimstedt name going forward, with former Magnusson Latvia Managing Partner Valdis Kronis and Partner Ivars Kronis becoming Partners at Glimstedt.

According to Aldis Kalinks, Managing Partner of Glimstedt in Latvia, the merger will consolidate the core competencies and professional expertise of the Glimstedt and Magnusson teams and will provide local and international clients with a broader range of legal services.

Valdis Kronis obtained an LL.M. degree at Durham University, in the United Kingdom. He is a member of the Latvian Collegium of Sworn advocates, a qualified insolvency practitioner, and an arbitrator of the Riga Permanent Court of Arbitration. His practice primarily focuses on insolvency, litigation, arbitration, corporate, real estate, M&A, and EU and competition law.

Ivars Kronis is a member of Latvian Collegium of Sworn advocates, a qualified insolvency practitioner, and an arbitrator of the Riga Permanent Court of Arbitration. He focuses on insolvency, restructuring, and commercial disputes and Glimstedt describes him as “a leading arbitration expert in Latvia.”

## Ijdelea Mihailescu Opens Doors in Bucharest

Romanian lawyers Oana Ijdelea and Anca Mihailescu have launched a new full-service law firm in Bucharest – Ijdelea Mihailescu, Attorneys & Advisors – which will focus on energy & natural resources, M&A, environmental law, and real estate & construction.

Prior to the foundation of the new firm, Ijdelea worked as a solo practitioner, while Mihailescu joins from Nestor Nestor Diculescu Kingston Petersen, where she was a senior associate. Before joining NNDKP in 2011 she was a junior associate with DLA Piper for two years and with Linklaters for five months.

Ijdelea commented that: “We have a complementary mix of expertise, added to the fact that a handful of demanding clients already entrusted us their projects. Clients come to us for execution, not only for advice. This motivates us to further deliver the best and the quickest possible results in a business climate with growth potential but facing globalized and local challenges.”

The new firm claims that its current clients include “a major offshore oil & gas company, a private equity fund, an international player in the telecommunication industry, and several

sophisticated players in fields such as mining, real estate and construction and agribusiness, with ongoing projects totaling approximately EUR 900 million.”

Ijdelea Mihailescu’s team consists of ten professionals, including Ijdelea and Mihailescu as partners, four lawyers, and several business and tax consultants. According to Mihailescu, “in terms of the firm’s development, we are considering a realistic team increase of up to five lawyers by the end of next year, as a result of an estimated 30% increase in client portfolio.”

## Sterbatomashevskaya Takes Over for BBH in Moscow



Former BBH Partners Jiri Sterba and Anastasia Tomashevskaya have left the Moscow office of that Czech firm to open their own law firm in Moscow, in the process drawing BBH’s Moscow operations to a close.

Sterba, a Czech lawyer, had been a partner at BBH since 2009, and was head of BBH’s Moscow office when, at the beginning of 2017, he and Tomashevskaya agreed with BBH management to wind down the firm’s Moscow presence. He described the process as “a very friendly dissolution,” and he reports that “the intention of both parties was to have us continue to serve BBH’s Moscow clients. We tried to make it as seamless as possible, to continue with running projects –we just re-executed new agreements.”

Still, he insists that he and Tomashevskaya are charting a different path with their new firm, called Sterbatomashevskaya. “We’re completely independent, and there’s no exclusivity between us and BBH – we’re operating on a best friend basis.” Indeed, he says, “we have a slightly different strategy in terms of fees, for instance, so we’ve been able to attract new clients.”

At the moment, Sterba and Tomashevskaya and several associates operate out of the former BBH office space in Moscow, though Sterba says they’re looking to move. “We want to look at this business opportunity with slightly different eyes. We’re planning to move to different office spaces, and hire new people.”

In the meantime, Sterba says, “things are going very well. We are very busy. Frankly speaking I was quite afraid about what would happen when we left, because I was at BBH for 15 years, so I was worried about what would come, but I must

say that we have enough work and several projects going on simultaneously in Russia, and we are also advising Russian clients on matters abroad, under English law, so we are doing quite nice and interesting work.”

## Ellex Raidla and Primus Estonia to Tie-Up in Major Merger



Ellex Raidla and the Estonian office of Primus have announced that they will merge on January 1, 2018 to form the largest law firm in Estonia.

The newly merged firm – consisting of 60 lawyers – will continue under the name Ellex Raidla. Partners Gerli Kilusk, Anton Sigal, and Ermo Kosk from Primus will join the nine current Ellex Raidla partners.

According to an Ellex Raidla press release, “through the merger in Estonia, Ellex will consolidate its position as the largest law firm across the Baltics – increasing its headcount to 211 lawyers.”

According to Ants Nomper, the Managing Partner of Ellex Raidla, “the decision to merge was based on a common vision to business development and customer service. Rankings show that both law firms – Ellex Raidla and Primus – are already undoubtedly the leading law firms in Estonia. Our organizational cultures are also very similar: each and every client project has always hands-on partner inclusion. Excellence is not just a slogan for us: we are working very hard to exceed our clients’ expectations.”

According to that Ellex Raidla press release, Nomper says that Primus is clearly distinguishable by superb financial performance among the new generation law firms in Estonia. “It’s the only new generation law firm that has managed to break into the top five law firms in Estonia,” he is quoted as saying.

Primus Partner Gerli Kilusk claims that Ellex Raidla was the only viable merger partner for her firm. “Quality and professionalism are highly prioritized by both firms. We are constantly thinking how to be more efficient in our operations, how to be closer to our clients, how to grow our firm even

further, and how to exceed even the western market standards in our client service,” she said. According to Kilusk, the synergy of the firms is demonstrated by the fact that the client base of two offices includes more than half of the top hundred largest companies operating in Estonia. “Our workload and client base is constantly growing, and due to our rapid growth in recent years, we had reached the point where we had to make a strategic decision whether to continue the path of organic growth or to find other opportunities in our development. Therefore, it was time for us to choose, how to develop our administrative functions in such a way that we are able to maintain our close relations with our clients at the same time. Ellex Raidla’s strong brand, efficient management model, very structured support functions and strong pan-Baltic cooperation within Ellex are absolutely ideal solutions for us, which allow our team to continue working with our clients with the same level of thoroughness.”

Primus’s Managing Partners in Latvia and Lithuania spoke professionally of the change. Robert Juodka, Managing Partner at Primus Lithuania, explained that: “The market of professional services is currently very dynamic, so we assess these changes as natural processes in the market. The most important thing for us is to ensure the quality and continuity of our legal services to our clients. This is our priority in taking all business decisions.” And Kristine Gaigule-Saveja, Partner at Primus Latvia, added that: “During recent years all Primus offices have experienced rapid growth and we are amongst top law firms in each country based on legal rankings. Primus Latvian and Lithuanian offices have a vision of organic and independent growth, but our Estonian partners see their future by merging into another chain of law firms. We wish success to our former Estonian partners and look for a new cooperation partner in Estonia.”

## BPV Braun Partners Takes Real Estate Team from Schoenherr in Prague

BPV Braun Partners has announced that former Schoenherr Partner Gabriela Porupkova has joined its real estate and corporate/M&A team, bringing Associates Miroslav Dudek and Pavlina Tejralova with her.

According to BPV Braun Partners, Porupkova, who has 13 years of experience, including almost eight with Schoenherr, preceded by three with Weinhold Legal and two with Giese & Partner, graduated from the Faculty of Law at Masaryk University in Brno, and also completed a study abroad program at the University of Vienna.

“We are delighted that Gabriela and her team have joined us,” explained Managing Partner Arthur Braun. “They are highly experienced attorneys with an excellent track record of transactions, some of the most significant on the market, and have been highly ranked by international ratings agencies, but even more importantly, by their clients. I am certain that our new

colleagues will be a major asset for developing our real estate and transactional practice, as well as balancing out our team on a personal level. I personally appreciate their excellent German.”

“We have been working in real estate law for many years, during which time we have obtained valuable experience and taken part in a number of important international and local real estate projects and transactions,” added Gabriela Porupkova. “I see our work at bpv Braun Partners as a new challenge. I hope we will make a strong contribution to the team on a professional and personal level.”

## Partner Vasilii Markov Joins Dentons from Deloitte with Team of Tax Practitioners

Partner Vasilii Markov has joined Dentons as Head of Tax in St. Petersburg, bringing with him a team of seven additional tax practitioners.

Markov comes to Dentons from Deloitte, where he was Head of the Technology, Media and Telecommunications practice in the firm’s Tax and Legal department. He has more than 11 years of experience advising Russian and international clients on tax matters, with a primary focus on the technology sector. He holds a Ph.D. in economics.

Victor Naumov, Managing Partner of Dentons’ St. Petersburg office, said, “I am delighted to welcome Vasilii and his high-powered team to our firm. His experience of successfully implementing large, complex projects for both businesses and government authorities in the CIS and his unique knowledge of tax incentives in Russia will certainly strengthen our Tax practice. Vasilii will also help expand our tax offering in innovation, digital economy and public-private partnerships.”

Partner Dzhangar Dzhachinov, Head of Dentons’ Tax practice in Russia, said, “Vasilii Markov’s team will considerably strengthen our expertise in the area of tax benefits and will add a new line: state support services. We have long sought a practitioner to address the growing client demand in technology, media and telecommunications projects, and Vasilii is a market leader in this area.”

Commenting on his appointment, Vasilii Markov said, “I am very glad to join such a dynamically developing Tax practice and can’t wait to start working as part of this professional team.”

This is the second team to join Dentons’ Tax practice in Russia in 2017, following the move earlier in the year by a team of five tax professionals from Egorov Puginsky Afanasiev & Partners. The firm’s Tax practice has now grown to 29 practitioners in Russia.

## PARTNER APPOINTMENTS

Date Covered	Name	Practice(s)	Appointed To	Firm	Country
24-Oct	Annika Wolf	Corporate/M&A; Banking/ Finance	Partner	PHH	Austria
26-Oct	Benedikt Kessler	Corporate/M&A; Banking/ Finance	Junior Partner	Fellner Wratzfeld & Partner	Austria
10-Nov	Elisabeth Fischer-Schwarz	Banking/Finance; Dispute Resolution	Junior Partner	Fellner Wratzfeld & Partner	Austria
18-Oct	Biliana Shagova	Corporate/M&A	Partner	Hristov & Partners	Bulgaria
2-Nov	Daniel Navratil	Real Estate	Partner	Wilsons	Czech Republic
2-Nov	Martina Krakorova	Real Estate	Partner	Wilsons	Czech Republic
23-Nov	Jan Stejskal	Corporate/M&A	Partner	White & Case	Czech Republic
22-Sep	Merilin Ojasaar	Real Estate; Corporate	Partner	Leadell Pilv	Estonia
22-Sep	Tambet Laasik	Corporate; Banking	Partner	Leadell Pilv	Estonia
24-Oct	Marta Koremba	IP/TMT	Partner	Bird & Bird	Poland
13-Nov	Malgorzata Wasowska	Tax	Partner	Act (BSWW)	Poland
23-Nov	Marcin Iraniszyn	Corporate/M&A; Banking/ Finance	Partner	Weil, Gotshal & Manges	Poland
23-Nov	Filip Uzieblo	Corporate; Real Estate	Partner	Weil, Gotshal & Manges	Poland
23-Nov	Aneta Urban	Banking/Finance	Partner	White & Case	Poland
9-Oct	Roxana Fercala	Dispute Resolution	Partner	Suciu Popa	Romania
9-Oct	Andrei Georgescu	Competition; Corporate/M&A	Partner	Suciu Popa	Romania
9-Oct	Crina Ciobanu	Real Estate	Partner	Suciu Popa	Romania
26-Oct	Sorin Aungurenci	Real Estate	Partner	Biris Goran	Romania
8-Nov	Olga Ponomarenko	Corporate/M&A; Capital Markets	Partner	Latham & Watkins	Russia
21-Nov	Elena Stepanenko	Corporate/M&A	Partner	Baker Botts	Russia
13-Oct	Juraj Fuska	Corporate/M&A	Partner	White & Case	Slovakia

## IN-HOUSE INS AND OUTS

Date Covered	Name	Company/Firm	Moving From	Country
20-Sep	Martina Neubauer	Liechtensteinische Landesbank (Head of Compliance)	VTB Bank	Austria
19-Sep	Akos Toth	Porsche Holding GmbH (Country Compliance and AML Officer)	BlackRock	Hungary
20-Sep	Balazs Fazekas	Invitel Group (Director of Legal and Regulatory Affairs)	Dr. Fazekas Balazs Ugyvedo Iroda	Hungary
20-Sep	Wojciech Dmochowski	Veolia Polska (Legal Department Director)	Polenergia	Poland
9-Oct	Bernadeta Kasztelan-Swietlik	Gessel (Partner)	Office of Competition and Consumer Protection	Poland
9-Oct	Gokce Turkoglu	Deloitte	Marsh (VP and Legal & Compliance Director)	Turkey
17-Oct	Nilufer Turkcu	Calik Holding (Head Legal Counsel)	Paksoy Law Firm (Senior Associate)	Turkey

## PARTNER MOVES

Date Covered	Name	Practice(s)	Firm	Moving From	Country
21-Nov	Stefan Riegler	Litigation/Arbitration	Wolf Theiss	Baker McKenzie	Austria
2-Nov	Gabriela Porupkova	Real Estate	BPV Braun Partners	Schoenherr	Czech Republic
22-Nov	Gerli Kilusk	Corporate/M&A	Ellex (Raidla)	Primus	Estonia
22-Nov	Anton Sigal	Litigation/Arbitration	Ellex (Raidla)	Primus	Estonia
22-Nov	Ermo Kosk	Banking/Finance	Ellex (Raidla)	Primus	Estonia
2-Oct	Ugis Treilons	Corporate/M&A	Leadell	Treilons Sworn Advocates	Latvia
9-Oct	Valdis Kronis	Insolvency; Litigation	Glimstedt	Magnusson	Latvia
9-Oct	Ivars Kronis	Insolvency/Restructuring	Glimstedt	Magnusson	Latvia
13-Sep	Michal Pawlowski	Capital Markets	K&L Gates	CMS	Poland
19-Sep	Gabriel Olearnik	Private Equity	Kochanski Zieba and Partners	Dentons (Counsel)	Poland
9-Oct	Arwid Mednis	IP/TMT	PwC Legal	Eversheds	Poland
9-Oct	Gerard Karp	IP/TMT	PwC Legal	Eversheds	Poland
13-Oct	Malgorzata Chrusciak	Compliance	Ernst & Young Law (Of Counsel)	CMS (Partner)	Poland
6-Nov	Tomasz Stasiak	Real Estate	Wolf Theiss	Dentons	Poland
10-Nov	Patryk Galicki	Real Estate	Chajec, Don-Siemion & Zyto Legal	Eversheds	Poland
16-Nov	Pawel Hincz	Life Sciences	Baker McKenzie	WKB Wiercinski Kwiecinski Baehr	Poland
13-Oct	Oana Ijdelea	Energy	Ijdelea Mihailescu, Attorneys & Advisors	Oana Ijdelea	Romania
13-Oct	Anca Mihailescu	Corporate/M&A	Ijdelea Mihailescu, Attorneys & Advisors	Nestor Nestor Diculescu Kingston Petersen (Senior Associate)	Romania
29-Sep	Vladimir Melnikov	Dispute Resolution	Kinstellar	Herbert Smith Freehills	Russia
19-Oct	Jiri Sterba	Corporate/M&A	Sterbatomashevskaya	BBH Partners	Russia
19-Oct	Anastasia Tomashevskaya	Corporate/M&A; Banking/Finance	Sterbatomashevskaya	BBH Partners	Russia
24-Oct	Kirill Parinov	Litigation/Arbitration	BGP Litigation	Quinn Emanuel Urquhart & Sullivan	Russia
2-Nov	Alexander Gomonov	Corporate/M&A	Latham & Watkins	Baker McKenzie	Russia
6-Nov	Iliia Rachkov	Litigation/Arbitration	Nektorov, Saveliev & Partners	King & Spalding	Russia
4-Oct	Semih Metin	Corporate/M&A	Nazali Tax & Legal	Palta & Metin	Turkey

## OTHER APPOINTMENTS

Date Covered	Name	Company/Firm	Appointed To	Country
2-Nov	Constanze UlmeEilfort	Baker McKenzie	Executive Committee and Chair of Diversity & Inclusion Committee	Austria
3-Oct	Tomasz Zalewski	Eversheds	Managing Partner	Poland
3-Oct	Krzysztof Wierzbowski	Eversheds	Senior Partner and Head of Real Estate and Infrastructure	Poland
26-Oct	Igor Baranovsky	BGP Litigation	Chairman of the Partners Committee	Russia

# THE BUZZ

In “The Buzz” we check in on experts on the legal industry across the 24 jurisdictions of Central and Eastern Europe for updates about professional, political, and legislative 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.

## ESTONIA: OCTOBER 13, 2017

### A growing momentum



Martin Simovart, Partner and Head of Global Relations at Cobalt in Estonia, is fairly confident about the state of affairs in his country. “For the first half of the year we saw what we actually predicted – about a five percent rise in GDP – and I hope it’s going to continue. The momentum is there, and I don’t see any indicators that it’s going to slow down. And the overall feeling is fairly positive.”

Simovart concedes that Estonia’s fate isn’t completely in its own hands. “Of course, we’re such a small country that we’re dependent on outside factors – how Scandinavia is doing, things in Russia, and so on. These are unpredictable, and we can’t control them.” Still, he says, “if circumstances continue as they are things should continue to go well.”

And they’re certainly going well for Cobalt in Estonia, he says. “We don’t have final figures for this financial year yet, but unofficially we see an increase of 10-12% over last year, with some big transactions ongoing and new projects continuing to come in. M&A transactions and litigation and regulatory part



all very active.” Simovart says that the GDPR has “absolutely” been good for business, “and we’ve done a lot of it.”

Estonia’s reputation as a home for innovative start-ups remains a source of growth as well. “Start-ups remain very strong in Estonia,” Simovart says, “both in strategic equity funds and venture capital funds, including from Chinese investors. This sector has been really active and continues to be, and transactions happen frequently.” Indeed, he says, “things in this sector have been even better than last year – which was better than the year before it.”

By contrast, although Real Estate has been a real engine for growth in many CEE markets recently, Simovart says it’s been less strong in Estonia. “Real Estate is not going down,” he says, “but it may be going sideways. It’s not going dramatically up. But I guess we’ve reached the pre-crisis level for both houses and commercial real estate. So there’s an increase over previous years ... but it’s not exploding.”

Simovart says that the ongoing transformation of the Estonian legal market seems to be settling down. “I think the legal market has been very demanding for the past two years, though now it’s settled down, compared to what it was a few years ago when all the mergers and consolidations happened. Now it’s fairly stable. There are essentially three leading firms – Sorainen, Ellex, and Cobalt – and there are some spin-offs and firms that have found more of a niche practice. In this sense the market has settled down and become more mature as well.”

Of course, the growing sophistication of the markets makes the competition for skilled lawyers more acute. Especially, Simovart reports, because “young lawyers are more ambitious, and the demands from millennials for work space and work-life balance when they pursue their careers mean that law firms have to adapt.”

## MACEDONIA: OCTOBER 17, 2017

### The end of a “lost year”



“A lost year” is how Gjorgji Georgievski, Partner at ODI in Macedonia, describes the current state of deal-making in his country. “From April onwards things got really slow because of the culmination of the ongoing political crisis,” he explains, adding: “Since the formation of the new Government in June it was normal for things to calm down but soon after we got into a state of waiting for the local elections, which eventually took place on October 15, 2017.

Georgievski is looking forward to the last quarter of 2017, when activity should pick up again. “The market is generally slow, with most investors waiting to see how the political crisis will unfold,” he explains. “We’re really optimistic about Q4 and the early months of next year,” he adds, pointing to potential deals in the pipeline ranging from notable acquisitions in the freight forwarding and real estate sectors to potential investments in mining and manufacturing. “In my specific area however,” the TMT specialist says, “there is not much in particular to report, with the telecommunications market having now consolidated between two players. There are continuous investments in infrastructure but there is nothing really to generate substantial work in the market.”

Uncertainty looms over FDI into Macedonia as well, both due to the ongoing political uncertainty and the new Government’s contemplated change in strategy, Georgievski reports. In the past, he says, the Government was dead-set on attracting foreign investors and would “give [investors] everything but the kitchen sink to have them come into the country.” That plan worked in attracting a number of foreign companies that employed a few thousand people, he says, but there was little trickle down from there. “These companies didn’t really work a lot with local companies as there was a general lack of capacity,” he explains, “and locals have been complaining about the preferential treatment that the internationals were receiving.” The new strategy retains the concept of attracting these foreign investors, especially tech giants, but aims to minimize the preferential treatment they receive, while also making it harder for the companies coming in to not work with the local ones. He says, “how that would work is, as of

now, unclear.”

The legal market itself remains more or less unchanged, with the market leaders the same for a decade now, Georgievski reports. “There are some smaller teams coming up that are trying to take on the whales but I am not seeing much of a dent in their market share just yet.” He adds that one interesting rumor circulating is that several regional firms are looking to open up an office in the market. He does not provide any names, but notes that it would be a “peculiar development given the situation of the market at the moment.”

## SLOVENIA: OCTOBER 19, 2017

### The busiest time in years



Mia Kalas, Partner at Selih & Partnerji, says that recent conversations with her peers in Slovenia have generally focused on one pleasant topic: “When we meet we mostly discuss how the work load is really increasing, which is good.” Indeed, Kalas says, “this is the busiest time we’ve had in the past few years. The economy is really growing, and what we’re seeing is quite a lot of M&A transactions in the private sector.”

According to Kalas, the boom comes from private M&As rather than from a relatively dried-up privatization sector. “What we’ve seen in the past year is slow but very interesting developments from Asian investors.” Kalas points to the USD 1 billion acquisition of Outfit7 Investments Ltd by a group of Asian investors earlier in the year – the largest transaction ever involving a Slovenian company – and to the more recent acquisition by an Asian-European private equity fund of a Slovenian laser manufacturing company, both of which her firm worked on.

“There are quite a few processes going on,” Kalas says. “The freight part of the Slovenian railways is up for sale, and we



see a lot of potential work in the financial industry, which is expecting a lot of M&A.” Kalas refers particularly to the ongoing sales processes of Gorenjska Banka and Deželna Banka Slovenije, and she says that it is expected that the privatization of Abanka, which should be finished by summer of 2019, will begin this year. As for the long-awaited construction of a second railway track on the Koper-Divaca line, Kalas reports that “we had a referendum at the end of September that was actually initiated by opponents of the law, and the referendum did not succeed, so the project – which will be the largest infrastructure project in Slovenia in recent decades – is continuing.” Similarly, she says, the controversial intention of the Austrian automotive supplier Magna Steyr to build a car painting facility and later a car production facility in Slovenia – a project that has faced strong opposition by a part of Civil Society and environmental groups – “has managed to obtain a final environmental permit and later on a building permit, so this is a major step toward the investment that should open up a lot of jobs, especially as it’s in an underdeveloped part of Slovenia, so this is a good opportunity to open that part of the country up.”

Other sectors are strong as well. “Real estate is doing very well,” Kalas reports. “The prices of private condos are going up,” she says, by way of example, and overall the sector is growing, “in such a way that we were starting to wonder if there’s not another bubble coming.” In the meantime, she says, “we see an increased appetite for construction of logistics centers, and we are working on one complex and difficult one.”

In addition, she says, “there’s a lot of new financing going on. Following the crisis, new lending was practically dead, and most of the work was related to restructuring. Now we are seeing a record number of financing deals – including acquisition financing – in the past six months. The banks are starting to resume their traditional function.”

The effect of this boom on the bottom line is undeniable. “Our numbers for the first six months show that we are – hopefully – on a record pace in revenues. So things are very busy.” And Selih & Partners is hardly the only firm benefitting from this boom. “The legal market is growing,” Kalas reports, “and all the firms are busy.”

Perhaps as a result, Kalas reports, the legal market itself is relatively stable, with “really high competition.” She says she is unconcerned. “As long as that competition is healthy and fair, it’s actually good for everybody, because the standards are going up. The clients are also more and more demanding, which is definitely a trend, both in terms of quality and in terms of how quickly a deal can be done. It’s challenging but it’s also good.” Indeed, she says, clients are starting to realize the value of quality law firms. “Right now we’re working for a client who’s engaged in a very difficult and demanding project, and this client usually interacts with us not on a daily basis, but

on an hourly basis. Clients are really starting to view us as their trusted advisors, not just as legal counsel. Some clients have very strong internal legal functions, and those who do will only ask us the most complex questions, whereas other clients will ask us to assist them in everything, which requires also skills other than legal.” Kalas says such clients, in particular, “allow us to train our junior lawyers in a very efficient way.”

## MONTENEGRO: OCTOBER 24, 2017

### New laws in the spotlight



The recent Buzz in Montenegro, according to Komnienic Managing Partner Milos Komnienic, revolves around new and proposed legislation in the country, including a newly-adopted Law on Spatial Planning and Construction of Objects, the proposed new Law on Commercial Companies, and the new Labor Law, the latter two of which are undergoing public debate.

Komnienic describes the new Construction law – which was adopted on September 30, 2017 – as “a total change from the previous law, and thus very important for investments” in the country. “The new law has introduced a totally different procedure and a new framework for spatial planning and construction itself,” he says. “The most important change in the law is that the spatial planning procedure has been placed under the authority of the relevant ministry. The idea now is to regulate everything through two plans – the Master Plan of Montenegro and the General Regulation Plan – instead of the previous eight. Both of the plans have been prepared, controlled, and approved in a specific procedure regulated by the law and by the relevant ministry with the participation of all other involved bodies of Montenegro.” The most notable change, he explains, is that, “before you were obliged to have a construction permit and usage permits to start construction, issued either by the Ministry or the municipality, depending on the authority. They have terminated these two permits, and transferred all responsibility to the architects, auditors, and particularly licensed supervision entities. Now for any kind of construction project, there is an obligation to have an audit by the licensed company.” The process going forward requires

only a filing with the Ministry, rather than a permitting process. “So instead of waiting for a specific permit based on the documentation submitted by the investor, the investor only has to file the technical documentation defined by Article 91. He doesn’t have to wait for the issuance of a construction permit.”

The law has generated significant controversy, he says, “and even some of the members of the government coalition didn’t want to vote for it, arguing that by centralizing powers within one authority, the Ministry has taken all the power from the municipalities.”

The law does other things as well, including addressing the methods – including financial – by which the 40,000+ construction projects in the country built without necessary permits or contrary to the permit can be made legal. “The government expects that this law will generate significant financial income as a result of this legalization process, as well as through a property tax,” Komnencic reports, noting that this process will be facilitated by an expected increase in the number of inspectors in the area, a decrease of the number of municipality employees who were previously engaged in spatial planning, and other procedures related to the construction and usage permit.

Finally, Komnencic says, “the law, for the first time, provides a framework for foreign legal entities and physical persons (such as foreign engineers, architects, *etc.*), so that for example coming from the European economic area have the right to operate in the territory of the Montenegrin state, as long as they satisfy some additional criteria. Application of these provisions are delayed until Montenegro joins the European Union.”

Ultimately, Komnencic is cautiously hopeful about what he calls “a very important law.” According to him, “the idea is very good, but it’s completely different, so we’ll see how its implementation goes. Looking at the law itself, we think it’s very business-oriented. The intent is to create a one-stop shop for investors in the process of construction, simplifying those procedures while simultaneously increasing the responsibilities and liabilities of the parties involved. The general concern is about the transitional period of time –how this will function in the next year or two, while it becomes fully implemented. I think it’s very good for us, and takes into consideration EU standards. But it’s a 180 degree turn, and those kinds of changes in the legal framework are always problematic.”

The Construction law will soon be joined by a new Law on Commercial Companies as well. Public debate on the draft law – which expands the 98 articles in the current code to almost 400 (“it’s a big change,” says Komnencic, whose office will be advising the Ministry of Economy on the proposed law by submitting comments from a private practice point of view) – concluded on September 25th, and the Ministry is

now in the process of reviewing the comments of interested parties before making final revisions. The new law, which conforms with the expectations of the European Union, should be brought before Parliament early in 2018.

A new Labor Law also currently being considered is expected to change the minimum period of defined working relationships from 24 to 36 months. “This law is also under discussion, and it will probably be brought to Parliament before the end of the year,” Komnencic says, noting that “it’s impossible to predict its ultimate effect until you see the final draft.”

Finally, Komnencic says, the government is still evaluating options regarding the proposed economic passport program. “In June the government called all potentially interested parties to propose a potential model for the economic passports, which will allow investors at a certain level to obtain Montenegrin citizenship. The government’s still not sure if it will be an investor model, a contribution model, or a combination thereof. So the government is asking for input about the ideal model and estimates for the country, and then it will choose a model based on which it will grant licenses and begin promoting the model to potential investors.”

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## UKRAINE: OCTOBER 25 2017

### A criminal law perspective



Most of the Buzz provided by Olga Prosyanyuk, the Managing Partner of Aver Lex in Ukraine, relates to trends in her own area of specialization. “As we are a criminal law practice boutique,” she says, “we’re keeping our eyes on all procedures going on in Ukraine in terms of criminal procedure.”

According to Prosyanyuk, the political turmoil in the country in recent years has created an inevitable whipsawing effect: “We have our own saying: ‘When new power comes, the previous one automatically becomes unlawful.’ This means

that when power changes hands, the new regime immediately begins persecuting the previous members of parliament and state bodies.” As a result, she says, “lawyers in a criminal practice have a lot to do.”

The current period is no exception, according to Prosyanyuk, as “now, before the upcoming presidential elections, prosecutions in this field grow.” According to Prosyanyuk, “every day we have briefings, press conferences, and posts on Facebook and other social media about cases being brought or charges being considered by the prosecutor general or anti-corruption prosecutor. And there will be more. So the huge regime machine has started to work.” She doesn’t mince words about what’s behind this, describing it as “widespread politically-motivated criminal prosecution.”

And traditional full service firms in Ukraine are trying to get a piece of the action. “Even two years ago there were almost no criminal practices in multi-service firms, but because of these factors, we see the expansion of the practice.” Prosyanyuk doesn’t put much stock in their efforts, however. “These issues are very specific and sensitive, and even when they open these practices, they can afford only non-risky work that usually stops at the pre-trial stage. In transactions, or due diligence exercises, you can be flexible with associates and management. But complicated and political criminal cases can be tough and risky, and you need real experience. If tomorrow a corporate lawyer wanted to become a criminal advocate, that would be very risky for a client. Their freedom is at stake.” Her own firm, Prosyanyuk says, went the other way. “We decided to be a boutique, because we believe boutiques are the future, with specialization in discrete spheres. Maybe it’s not modest, but truthfully, we are the only firm specializing in political prosecution cases. So the trend is that the multi-service firms and the Big Four, in terms of complicated and difficult cases, come to us for help.”

Prosyanyuk reports that, in addition to the rapid appearance and then general disappearance of criminal practices in full service firms, another significant trend in the legal market for criminal defense lawyers is the increasing need for savvy social media and mass media skills. According to her, “the main fight is not in courts or in state bodies. The main fight is on Facebook and television. Early in the morning the prosecutor general is posting his or her views on Facebook on this or that case, or hosting television press conferences. So defense attorneys are required to possess an additional skill: to work with mass media. Because if you fail in your mass media strategy you will fail your clients.” And Prosyanyuk doesn’t mince words, describing these new skills as, “if anything, more important than legal skills.” She says that “if you monitor the most significant cases in Ukraine, you will see that they are conducted in mass media. So if an advocate fails in informative strategy, that will damage the client absolutely.”

The third significant trend Prosyanyuk describes is the in-

creasing use of threats of violence or civil disruption to controversial criminal prosecutions. She describes one recent case in which, while the Pechersk District Court was deciding whether to convict the defendants, “the prosecutor general posted on Facebook that he was very concerned about the risks that if they were released violence would result.” She says, “that was shocking.” She goes on. “For another example, there is another procedure going on involving so-called ‘public activists’ who came to the court and disrupted everything, requiring that the police be called.” Thus, she says, “another trend I can see is that when there is any court case which is very public and sensitive, the so-called ‘activists’ (actually military people with guns and huge numbers) crush everything and pressure the court to take this or that ruling against the people. So another trend is the use of so-called activists. Both those who stand and shout their disagreements – so called ‘peaceful’ activists – but they still come to the court room and disrupt everything there. For what? What is the purpose? And who is controlling them? Who gives them orders to do that?!”

“I want to be optimistic,” Prosyanyuk says, “but I’m always realistic at the same time. In a week, we will have a very public case in court, and I’m really wondering whether this kind of situation will happen to us as well, and when the Maidan cases [the trial of former Ukrainian President Victor Yanukovich, who her firm is defending] will be heard, we are not sure that the activists will not come to disrupt everything. And the current bodies of power want him to be found guilty. They don’t want to find out who really was guilty,” she says. “Or even more, they know who is guilty, and they don’t want the people to know the truth. They don’t want the true court procedure to play itself out. Because the facts will be shocking.”

Prosyanyuk takes a breath, and smiles. “Maybe I was very emotional, but it’s how I feel.”

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## ALBANIA: NOVEMBER 2, 2017

### Resisting a tradition of pessimism

The Buzz in Albania, according to Perparim Kalo, the Managing Partner at Kalo & Associates, is not as bleak as many who listen to the complaints of his countrymen might believe. “It is common to complain in the Balkans,” he says with a smile. “We usually consider positive trends or developments as less important than failures. It is a kind of a complaining culture.”

Still, that doesn’t mean everything is sunny in the legal market, Kalo says. “We hear from all our peers in the Balkans,” he says, “that although there are new business cases, those cases do not bring considerable profit.” In particular, he says, this is due to pressure on fees; a service that generated 50 thousand euros a few years ago may only generate 15 thousand now.



“Of course, it’s temporary,” he says, “and there is hope that it won’t last for long.”

Kalo says that the fee pressure didn’t happen overnight, but grew gradually over time. He doesn’t tie it to the global financial crisis, which he says “was not so evident here, because our economy has been rather closed.”

According to Kalo, although his firm, like other leading firms in Albania, benefits from strong relationships with international counterparts, the fees they receive from referrals are not high, “most probably due to fee arrangements with clients when they obtain global mandates.” Another factor affecting fees, he says, is what he describes as “market fragmentation.” According to Kalo, “new firms are popping up and taking some cases and projects, so there seems to be a wider distribution of fees nowadays.”

Still, he says, he’s not unduly concerned, “as traditional firms know how to keep their positions, so they are not affected so much and therefore do not have to complain.”

Kalo believes important projects will arrive soon, “and those that have been in the pipeline will resume.” Business has been slower this year than last year, he says, “because it was an election year. When you have elections, projects, including public works, slow down or even stop for a while. They usually accelerate on the brink of elections, and then stop while new institutions are formed or reconfirmed by the victorious political forces.” In any event, the slowdown over the past few years hardly means the economy has ground to a halt. “In terms of GDP growth the country still has some good indicators confirmed by the international agencies, so it may stay in the region of 3.5 percent, which is good compared to the rest of the region. But we were used to 6% for almost a decade, so it’s a slight drop.”

Despite the temporary slowdown, Kalo says that some areas like IP/IT are getting stronger. “We have seen an increase of activities that require protection, like copyright, trademark, and patent.” He says, “we are frequently hired by big proprietors to pursue infringements – there’s a lot of that going on here.”

In addition, he says, there are “more Chinese and Turkish investors are on the horizon,” who are interested in “hydro power generation and natural resources, mining and infrastructure, and also the oil sector.” He refers to the 2016 takeover of the country’s biggest offshore reserve by Geo-Jade Petroleum for EUR 440 million, which his firm assisted with. “And it appears that the Chinese want to invest more,” he says. “In port and airport infrastructure, for example. They have projects in Serbia, Croatia, and across the whole region.” The Turks are active as well, he says, in the banking, telecommunications, and power distribution sectors. “They have several big cases in hydro power concessions. They have construction, cement, steel, airport. They have many things.”

And the elections which took place on June 25, with the victorious Socialist Party of Albania party forming its government in September, are over. Thus, Kalo says, “we’re hoping that things will move ahead soon.” Indeed, as the new government doesn’t need a coalition party for the first time in many years, “they are able to approve any projects, of any size, such as a new port worth billions by a large consortium, a new railway project worth EUR 90 million by the EBRD and EIB; a new highway worth EUR 250 million; a PPP for the motorway connecting Albania and Kosovo; a PPP for operating several laboratories of hospitals to a private company; as well as other projects involving mining, hydropower, and solar plants.”

Such projects would be facilitated by the country’s candidacy for the EU, according to Kalo. “Let’s hope – it depends very much on the political will and behavior of the government – that we get the invitation to become a candidate country for EU membership, and of course if we’re accepted the EU would be more supportive in investments for the improvement of infrastructure so the country can be more comparable to other member countries”

Thus, despite the country’s cultural tendency towards complaining, Kalo says he is optimistic. “I think I can see the glass half full for 2018. Because we cannot go back anymore. We will go forward anyway. And the country has a lot of potential. We see more tourists coming, as the country becomes more attractive. Agriculture is another sector with great potential. The potential of the country is great also because of a fantastic geographical location and good assets, including human and natural resources. It would be a real pity if, 27 years after the opening in the 90s, we failed to take advantage of our values at this moment in time.”

## SLOVAKIA: NOVEMBER 7, 2017

### A watchful eye on real estate despite good times



“Basically Slovakia is doing quite well in terms of macro-economic data,” says Adrian Barger, Partner at Slovakia’s Barger Prekop law firm.

“The economy is among the fastest-growing in the EU and the Eurozone, with GDP growth steady at about three percent,” Barger says. “And it is expected to grow even faster in 2018 and 19, exceeding four percent.” He says that “the main driving force behind the growth is exports – Slovakia is a heavily export-oriented economy – driven by automotive engineering, and in the past few years by private consumption, meaning Slovakian private individuals are spending more money, because salaries have been growing, and the general environment is very optimistic, so people are willing to spend more money both on consumer goods and on investments.” Barger says that mortgage market is “particularly strong, with really low interest rates and a high ratio of financing. People are willing to invest in real estate, not just for their own circumstances, but also for investment.”

Barger says he and his colleagues are keeping an eye on the growing real estate bubble. “Prices,” he says “especially in Bratislava, but also in other cities like Nitra, where the Jaguar/Land Rover construction facility is being constructed, are growing. People are moving to those cities to work, and real estate prices are going up as a result. There are signs that the bubble will burst, though nobody knows exactly when that will happen. Growth is really high – in some regions and categories about 10% per annum – and we are seeing the same signs we saw in the previous crisis in 2007 and 2008, when people were buying apartments without even seeing them, and buying real estate purely as investments.” According to Barger, “the National Bank is already cautious about it and is taking some precautionary measures, such as putting pressure on the commercial banks to decrease the amount of mortgage fi-

ancing. Until recently it was common for banks to pay 100% of the purchase price. Now that percentage is decreasing, so that fewer people will be able to afford financing.” He pauses. “Whether this will suffice is still a question.”

Barger, whose firm has a strong real estate practice, says that he and his colleagues are busy at the moment with development and investment projects, “especially in the retail and industrial sectors.” He sees a significant amount of interest in construction of industrial parks around Bratislava and the principal industrial hubs where the car manufacturers are located, but he says “there’s not enough land. There’s enough money, and interest, but available land for development is scarce.”

“There’s also a lot of Corporate/M&A in the market,” Barger reports. “I would break this down into two main areas: The first is traditional Corporate/M&A, involving foreign investors coming in to buy businesses or set up their own branches. The other area where we see a lot of activity is the result of the change of generations, where the founding fathers of small and medium enterprises are slowly exiting and are trying to find successors to take over their businesses.” Barger says, “that’s not a new phenomenon, but there’s a lot of activity on the mid-market segment of between EUR 5 and 20 million as a result.”

Moving to the topic of significant legislation, Barger describes “a lot of pressure on transparency and AML legislation.” According to him, “in February of this year a new Act on Public Sector Partners came into effect, which forces businesses dealing with the public sector to disclose ownership structure up to the level of ultimate beneficial owners. What it does is basically force the businesses to hire external parties – either an attorney or a tax advisor or an auditor or a bank – to verify their ownership structures.” This, of course, entails significant responsibility for those experts. “These advisors are liable for the completeness and accuracy of the data disclosed,” Barger says, “so there’s a lot of pressure to do it correctly, and the data disclosed in the publicly-available and online register is more complete than in the past.” According to him, “the law has been accepted by the business community, generally, and it’s producing some fruit already in terms of bringing some transparency and the ability to work with the data and disclose the connections between various stakeholders.”

Barger says that this new requirement “represents a new revenue stream for law firms,” especially because “there’s an obligation to update the data on at least an annual basis, which requires the companies to undergo the same exercise every year.” He says, “not everybody is doing the work, because it involves increased liability, and the law firms do not have all the data that is being supplied under control, but many law firms have found new revenue in the process. Especially because banks have not been active in the verification process at all. So most of it has been done by attorneys or tax accountants or auditors.”

“Also connected to the push for transparency and recent AML legislation is the amendment to the Commercial Code that was adopted by the Parliament in October 2017,” Barger says. “The amendment is designed to fight tax evasion and tax fraud and creditor fraud by making it more difficult for companies to disappear, leaving large debt behind either to debtors or the state. It imposes an obligation on merging companies to run an audit and to determine the value of assets and liabilities even where the companies, before the merger, were not obliged to retain an auditor.” He says, “so this is making mergers and spin-offs more difficult than in the past. Also persons who have debts with social insurance companies or the tax office will not be able to set up new companies.” The amended law, which is currently awaiting the President’s signature, is scheduled to come into force on January 1, 2018.

These two new pieces of legislation, Barger says, represent “the effort to increase transparency.” He says, “there is a lot of focus on compliance, and we see rules on corporate governance and position of compliance officers in companies getting more and more important.” The significance for the legal industry is difficult to miss. According to Barger, “this side of business will generate a lot of potential for legal business in this area.”

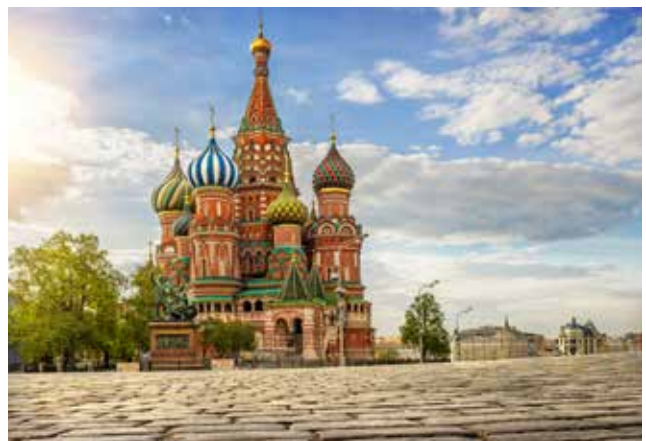
“The last bit,” Barger says, “are the new Procedural Codes that came into force in July 2016, but really, 2017 was the first year when we saw full application of these codes in the Slovak courts. These are completely new Civil Procedure rules and Administrative Procedural rules that are aimed at making the process more efficient by introducing certain new institutions which were previously not available, including various interim injunctions.” In addition, he says, “evidence collection and gathering of proof and evaluation of evidence has changed significantly.” He is encouraged by the changes. “I think in general this was a step forward. The previous codes originated in the 1960s, and although they were amended many times in the 90s and 2000s, those codes were not able to cope with the new situations, and the number of cases in the courts, so the time was right to adopt replacements. We are already seeing that the procedure in courts is more effective and less rigid, and these new codes allow us to communicate better with the courts during proceedings.”

Finally, Barger speaks positively of the Slovakian state’s commitment to moving towards an “e-government.” He explains that “since July of this year, all businesses must communicate with the state and the public sector electronically, and the public sector is communicating with businesses only in electronic form. This represents an enormous effort by the state. It is quite new, but from my personal experience I approve of it. It saves us and clients substantial time, although there are many practical problems with the system.” He reports the recent discovery that by researchers at the University of Brno that the electronic certificates in state identification cards are badly

encrypted, leading the Slovakian Ministry of the Interior to cancel the certificates in all (the hundreds of thousands) issued ID cards as a precaution, meaning that card holders are no longer able to sign the documents electronically. “There is big uncertainty about what’s going to happen in the coming weeks,” he says, as the Ministry has to engage a new supplier to prepare new encryption, which should take 5-7 weeks, leaving communication channels severely limited in the interim. Still, he expresses confidence that this will, ultimately, be a small blip in an otherwise successful roll-out. “Eventually the e-government will move forward, and this is a good step.”

## RUSSIA: NOVEMBER 24, 2017

### Not “very well” ... but definitely not bad



“We’ve been living through crisis days since the first wave of sanctions in 2014,” says Alexei Roudiak, the Managing Partner of Herbert Smith Freehills in Russia, “but looking back 12-18 months or even 12-24 months, things started to pick up, and we’ve noticed a greater amount of activity across the board, but primarily in the energy sector.” Not only energy (primarily hydrocarbons and hard rock mining), he says after reflecting, “but also pharma, retail, financial institutions, litigation (both domestic and cross-border) ... we have been busy across all areas for the last 18 months.”

He hesitates when it’s suggested that it sounds like things are going very well. “Being busy and things going very well are two different things,” he notes after pausing. “It’s not correct to say things are going really well. Saying that would be a bit of a stretch. It’s become more difficult to make money in a depressed market like this, where there’s pressure on fees, higher competition for a smaller amount of work, and so on.” So why is there’s a greater level of activity than one would expect? “First of all,” he says, “nobody knows what to expect in a situation like this, with Western sanctions, depressed oil prices, and so on. And indeed, there was a slowdown in activ-

ity at first ... but people got used to it. And the sanctions are only affecting particular sectors and areas, but there's a great deal of activity in other areas and sectors – once valuations in non-affected sectors got adjusted downwards (which they did over the last three years), people started pricing all sorts of risks in and that creates greater levels of activity. There is always appetite for Russian assets if the price is right" In addition, he suggests, "people also develop a kind of resilience to changing circumstances. The market adapts, people adapt." Finally, he says, "as an example of a somewhat unexpected outcome, the counter-sanctions which ban the import of agricultural products from the EU, boosted the domestic agri-sector." Taken together, he says, "although the growth is not as steep as before, it's still there."

In addition, Roudiak points out, much of the investment previously coming from the West is now coming from other sources. "There's been a tangible, really visible swap, in the foreign investor base," he says. "After the introduction of sanctions the Western funding pipeline effectively dried up – there was a period where you wouldn't see any Western money coming into the country." This is still more or less true, he says, "which is not great for Western and American companies that are missing opportunities – but this vacuum is being filled in by Japanese and other Asian investors in various industries and sectors." And in terms of a new inflow of foreign capital there's generally been a tangible shift to the East. And we've started doing more work for Asian companies: our offices in Asia helped immediately. We had always been doing a lot of work for our Asian clients but with Western sanctions we doubled – if not tripled – our efforts to drum up more business from Asia."

Still, the sanctions and economic problems undeniably had an effect on law firm business in the country. "It effected everyone," Roudiak concedes. "And most international firms downsized" – especially the smaller international firms which focused on one or two primary practices; those "putting all their eggs in one basket," as he puts it "or those who did not have time to develop into a more diversified fully-fledged business." His office, Roudiak says, chose a different path. "I've always thought that the key of success of an ILF in a national market is to build up a solid local client base, so we've always placed our bets on the quality of Russian clientele, so that helped. We've held on to our best Russian clients – Western clients with established business operations in Russia did not pack their bags and leave; new investors didn't come in, but the established investors stayed."

Turning to a rosier subject, Roudiak commented to the ongoing reform of Russia's commercial legislation and the overhaul of the Russian Civil Code which started about six or seven years ago. In his opinion, these reforms "make the country more business friendly and introduce more tools and instruments to promote Russian law." The biggest M&A deals are

still structured under English law, he says, "which is one of the reasons why our firm maintains fully-fledged English law capabilities here on the ground," but the reforms "are a sign of Russia's ambitions to promote its own code and legislation." The Herbert Smith Freehills Managing Partner isn't naive about the process. "It's not going to happen overnight," he concedes, "and it's going to be a long and sometimes bumpy road. But the general trend is there, and we're seeing more and more deals with a greater number of documents governed by Russian law." He says, "we welcome this – this is a great thing to see. I'm a Russian lawyer, and I've been doing deals under English law as long as I've been practicing, but a country like mine deserves a well-developed functioning commercial legislation."

The European Union, where the GDPR will be implemented in spring of 2018, is not alone in its concern for data privacy, Roudiak says. "Data protection is a big topic here too, and there's been a major overhaul of data protection regulation, with more strict requirements." LinkedIn, for instance, was famously banned in the country after it failed to base its servers in Russia to maintain the data of Russian users. Roudiak pauses to try the LinkedIn app on his phone before reporting that it still doesn't work. "So I guess they still haven't sorted it out," he says. "I haven't heard of any other prominent examples like LinkedIn right now, but there are articles or posts on social networks on an almost daily basis about how Facebook is going to be shut down, or twitter, but fortunately that has not happened yet." Still, he points out, "that sort of theme or topic is always in the air in Russian media."

Finally, Roudiak is asked what new legislation is on the horizon. "Things often come unexpectedly from our legislator," he says, "so it can be difficult to predict. But as a general observation – and this is not unique to Russia – people are becoming more protectionist when it comes to foreign ownership of strategic interests in the country." As a result, he says, "Russia began introducing legislation on this point seven or eight years ago to require special approval from a commission headed by the Prime Minister for deals involving such investments, and there have been recent amendments to this, tightening, closing loopholes, *etc.* It's only natural of the government to keep an eye on this."

Another important initiative that is underway, he says, is a major overhaul of the regulations and qualification requirements for the legal profession that will affect the entire industry. And while most of the long-awaited changes are aimed at better regulating professional conduct and the way lawyers conduct their business, some of them, "driven by a narrow-sighted protectionist sentiment, are aimed at banning international law firms from the market." Roudiak expresses his displeasure: "This is not a model that I would want my country to follow."

# TAKE THE STAGE: PROS AND CONS OF COLLABORATION WITH THE BIG FOUR



By Mladan Marjanovic, Partner, Marjanovic Law

In our new Take the Stage feature, we cede the floor to legal experts from around Central and Eastern Europe who wish to expound on matters of interest or conviction. We read these contributions with great interest ourselves, but, as with all content in the magazine written by others, the opinions stated herein do not necessarily reflect our own.

KPMG, Deloitte, Ernst & Young, and PWC – “the Big Four” in the world of accounting and business consulting – have made several attempts to sail into the legal services market since the accounting scandals that shook major markets in 2001. Their reasons are, of course, strictly commercial, because both stable and volatile markets require an interdiscipli-

nary approach. These attempts have been quite successful in most developed economies, since large clients want a full-package service from as few suppliers as possible. However, placing financial and legal services under one roof has led to a division of opinions in both financial and legal circles. Regardless of opposition, a chance to collaborate with the Big Four

represents a dream come true for many law firms, since Big Four organizations represent ideal partners, considering their reputations and brands, and fertile soil for fast growth, considering their base of existing clients.

Legal frameworks regulating the ability of the Big Four companies to provide legal services vary from country to country; in Serbia, for instance, the country’s legislation represents a barrier to direct involvement in the legal services market, allowing them to take part only through collaboration with fully independent law firms. This method allows them to potentially build stronger connections with their associate law firms than referring





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to prove themselves capable of collaborating with the Big Four. This also increases the competitiveness of small and medium-sized law firms against the biggest law firms which, until recently, took the largest piece of the pie in the Serbian legal market. This is an active trend in Serbia, demonstrated by the flood of lawyers promoting their engagements in large cross-disciplinary projects such as privatizations and M&A projects in recent years.

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*“...in Serbia, for instance, the country’s legislation represents a barrier to direct involvement in the legal services market, allowing them to take part only through collaboration with fully independent law firms.”*

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a client to non-collaborating law firms would. Thus, it is worth the effort, because joining in projects is basically direct cross-selling, allowing clients to receive so-called “one-stop-shop” service. Needless to say, the Big Four companies’ reputation and brand recognition provides clients with confidence regarding the quality and professional integrity of law firms they are collaborating with.

For their part, those law firms which collaborate with Big Four companies are often understood to have deep knowledge in finance, business, and tax. Moreover, this multidisciplinary approach provides clients with high-class service and advice coming from various fields. It is extreme-

ly difficult – or better to say impossible – for legal advisors to protect their clients’ interests without considering potential tax aspects as well. A Big Four company collaborating with a reputable law firm can certainly provide such excellent service.

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*“Regardless of opposition, a chance to collaborate with the Big Four represents a dream come true for many law firms.”*

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The outsourcing of legal advice boosts the market of legal services since it encourages law firms to think big in order

Another important trend in Serbia in the past decade is the permanent increase of investment processes and private capital inflow. Investors require comprehensive support when starting a new project in a place they are not absolutely familiar with and confident about. Networking around KPMG, Deloitte, PwC, and EY was inevitable, as they needed law firms as much as law firms needed them.

Only those in both financial and legal circles unwilling to grow and compete will oppose a collaboration which may lead to sustained competitiveness and evolution. Even the biggest skeptics must concede the new reality. Therefore, progressive thinking must prevail in order to overcome the stagnation of such an important part of the market – which the market of legal services surely is.

# MARKETING LAW FIRM MARKETING: YOUR LAST JOB

Law firm marketing and business development experts apply skills honed over many years and often in other industries. To explore their backgrounds, we asked them: What was the last job you had before joining a law firm, and why did you make the change?

## Renata Misiewicz, PR and E-Marketing Specialist, Wierzbowski Eversheds Sutherland



Before I started working as a PR professional in law firms I worked in the creative departments of advertising agencies, supporting companies in completely different sectors. I worked on dozens of TV commercials, advertising everything from hypermarkets to washing powder and nappies. After a number of years I decided to choose a different career path that would

allow me to better use the qualifications and skills I had gained from my journalism studies and my TV and radio practice, as well as my creative abilities.

It happens in agencies that sometimes you work on a campaign for two months and the client suddenly then changes his mind for some reason, or completely rejects the project simply because “my wife does not like the color red.” Your response to yourself is often: “stay calm, take a deep breath, this is normal for the profession, they pay you for this, *etc.*” But after a few years you grow tired and need a change. Creative work took up almost all of my life. I was busy being creative at work, after work, and on weekends, giving my time and 100% commitment freely. When you cannot see the results of your hard efforts, this can be both frustrating and demotivating. Additionally, in an agency each day you may be working on rather monotonous projects that will never receive nominations for any advertising awards.

I think that among all the colleagues I worked with in advertising agencies about 75% have changed their lives completely. So have I, but not quite so dramatically. In my current position I use my creative, communicative, and journalist skills each day, and I have a real influence on the final shape of my projects. I have worked in three international law firms so far, and I am happy to say that working in the Wierzbowski Eversheds Sutherland PR and Marketing team is what I really like. It gives me complete satisfaction, because I can see the fruits of my hard work in all that I do, from producing a well-organized event, having our lawyers publish well-received articles in main business dailies, winning pitches, producing attractive brochures, and promoting an outstanding social media presence. As

a marketing team we fully decide about creative concepts and further execution, with the trust and support of management. And the extra bonus is a bit of legal knowledge acquired, which can be quite helpful in certain situations.

## Mate Bende, Managing Partner, Pro/Lawyer Consulting



I made the transition in two steps. First, I was a lawyer, working as an editor, then later Editor-in-Chief at a legal publisher (Wolters Kluwer). I knew that I didn't want to work as a lawyer, so I focused on communications (second diploma) – but I didn't want to lose the legal segment either. So as I knew about law, law firms, and PR, I decided that I wanted to be a

communications manager at a law firm. I told this to a recruiter and I landed at Gide as Communications and Business Development Manager. And 5 years later made another transition, from inside to outside advisor for law firms with Pro/Lawyer Consulting.

## Idil Baysal, Client and Market Development Manager, Clifford Chance Turkey

I was the Communications Manager of a multinational financial services company for ten years and Head of/Manager for Marketing & Communications at PricewaterhouseCoopers Turkey before jumping into the legal services industry. A senior partner of a well-known law firm on the market gave me the opportunity to pour my expertise into this specific sector by establishing the BD and Marketing & Communications Department at his firm. I worked very closely with the management team as an executive member and once I succeeded in creating a strong department I decided to stay in the industry. As I have a strong background in business development, marketing, and communication from one of the top companies, I found it much more strategic and business driven. In Turkey consultancy/audit and law firms have an advertising ban, and it is definitely more challenging to manage the function under these strict regulations, as it takes

all the regular channels from you. It definitely asks you to think out of the box and use the road less travelled to make success happen. I find it very exciting, and very inspiring.

### **Petra Svoboda, Head of Communications CEE, Taylor Wessing**



Before joining the law firm in 2007, I had worked in a PR agency for many years. On the one hand, I loved the variety of dealing with enterprises from so many different sectors (ranging from games & toys to the chemical industry and insurance companies, among others). On the other hand, I always had the feeling of not

being able to dedicate myself to each customer with enough time and attention. So the first goal was to change to an in-house position in order to be able to devote 100% of my work and time to just one customer. Landing in an international law firm was a very lucky coincidence because yes, I now work for “just” one company, but there are so many different Practice Areas and teams I deal with, so variety comes in again ...!

### **Barbara Straziscar, Office Manager, ODI Law**



I'm not a lawyer; I even don't have a legal education. I studied History of Art and the German language, but I have worked all my career in the financial and administration fields. I worked for a Slovenian company, Krokodil d.o.o., which produced plastic housekeeping products and imported the lingerie of well-known

Austrian producer Palmers. I was the office manager, and I managed both the production line and a chain of stores selling Palmers products. I joined ODI as Office Manager and my function changed during the years as ODI grew; some tasks were taken over by colleagues and new ones came to me like marketing and HR ... That is basically it.

### **Jana Sosna, Senior PR Manager, Taylor Wessing Prague**



Having worked as an Executive Director of a mid-sized PR agency certified in the Association of PR Agencies in the Czech Republic for eight years, I have gained essential experience across a multitude of industries. This valuable experience has shown me that one of the most important qualities of a client is the ability to understand and appreciate public relations. Taylor Wessing Prague, one of our clients at the time, was among the smartest who listened, and subsequently they offered me a position. I have enjoyed working with a very professional and dedicated law firm, as they have proven to be. Making the jump from an eclectic PR agency to a dedicated law firm

gave me much more balance in my life. It has allowed me to travel, to explore, and to educate myself beyond the narrow confines of public relations and so help the continued media branding of my firm.

### **Agne Daunyte, Communications Project Manager, Ellex Valiunas**



Before joining Ellex Valiunas I worked in a public relations agency. While working there I gained invaluable experience in project and relationship management. However, after some time I felt the urge to try an in-house position and become a client myself. I am delighted that I managed to achieve my goal and have an opportunity to apply my knowledge and skills and grow as a professional at one of the best law firms in the Baltics.

### **Biliana Tzvetkova, Business Development and Marketing Manager, Djingov, Gouginski, Kyutchukov & Velichkov**



Prior to becoming a BDM in the legal industry, I'd been a senior project manager at an international venture equity company for more than 8 years. I acquired strong practical knowledge of the Bulgarian economic and legal framework and the overall direction and strategy of Bulgarian companies which now perfectly goes

along with my current position. I guess that at a certain point I just needed to transition to a position with more everyday challenges. Although I was successful in my project management career, I have realized the aspects of my work I find most rewarding are all in marketing-related functions.

### **Olivia Popescu, Marketing & PR Manager, Maravela | Asociatii**



Before boarding the legal marketing rollercoaster I enjoyed the healthcare marketing ride, which involved organizing large medical congresses (with 3000+ attendees), working together with a Professional Congress Organizer, and dealing with numerous PR, press conference, and marketing-related matters. I did not literally

make a change by myself alone; rather, change came my way. Returning to Romania after a two-year stay in sunny Greece, a spin off from a highly-regarded local law firm was just setting sail. I gladly jumped on board, as they were commencing their journey. We have been voyaging together since, and in the meantime, the firm has been named this year's Romanian law firm of the year, and I am extremely happy to be part of the crew.

# BOSNIAN ROUND TABLE: A COMPLICATED SITUATION



On the morning of October 2, 2017, representatives from many of the leading law firms in Bosnia – and two senior in-house counsel – gathered in the Sarajevo offices of Wolf Theiss Bosnia & Herzegovina to discuss the state of the legal market in their uniquely structured country.

### Round Table Participants:

- **Naida Custovic, Law Office Custovic – Independent Attorney at Law in Cooperation with Wolf Theiss (host)**
- **Aleksandar Sajic, Managing Partner, Sajic**
- **Andrea Zubovic-Devedzic, Partner – Attorney at Law in Cooperation with CMS**
- **Bojana Bosnjak-London, Junior Partner, Maric & Co.**
- **Dino Aganovic, Head of Legal and Compliance, HETA Asset Resolution**
- **Djurdjica Katic, Head of Legal Affairs at Studio Moderna**
- **Nihad Sijercic, Independent Attorney at Law in Cooperation with Karanovic & Nikolic**
- **Sead Miljkovic, Managing Partner, Law Office Miljkovic & Partners**

**CEELM:** This is a unique legal market in terms of the various challenges you have to face, including a fairly conservative bar association and complexities related to the make-up of the country, involving two entities and one autonomous district. How would you describe the legal market itself?

**Naida:** In the Bosnian market small law offices predominate, with one or two lawyers. Then there are also a few mid-size firms, which have up to five lawyers. Larger firms have more than five lawyers. Some of them are completely local, like Maric & Co., and some work in cooperation with foreign offices. Overall, the Bosnian legal market is small.

**CEELM:** How big is the biggest law firm in the country?

**Bojana:** I think that would be us, at Maric & Co. – about twenty lawyers. I think we've always been the biggest law firm in the country.

**CEELM:** In most CEE markets, the international firms are often particularly strong, although not always. What about here? Do the local firms predominate, or are there international firms in the top tier?

**Aleksandar:** When we talk about numbers, local offices are predominant. We have no more than 1800 lawyers in Bosnia, and in Sarajevo, I think, around 500. The Bar Association told me that in Republika Srpska we have 500 lawyers, but in the Federation it's 1300 to 1400, and in the Canton of Sarajevo, around 500-ish. I think it's too much, and there have been an increasing number of law offices – of lawyers deciding to open law offices – in the last couple of years, and sometimes it's not a professional choice. Sometimes we have lawyers who get fired and then they open a small office, working alone, generally dealing with all kind of legal matters.

**CEELM:** Does that mean that you find yourselves competing for clients with small offices quite often?





Naida Custovic



Aleksandar Sajic



Andrea Zubovic-Devedzic

**Bojana:** Not always. On the deals that are more significant, it's pretty much the same law offices.

**Aleksandar:** Maybe in litigation, okay, we have to compete with them for clients, but in real deals for something of significance, no.

**CEELM:** Am I right in understanding that law firms aren't allowed to advertise here? Why is that? Why is the bar so rigid on that rule here?

**Sead:** I think it's a relic of the past. The legal market is not developing as you would expect, like the legal system, and like the country itself. And the fact that there are very few big law firms speaks for itself. Out of the 1800 lawyers in the country I think roughly 85% work in a one-man shop.

**Bojana:** I also think that lawyers want there to be a dignified way of doing their profession, so they don't want other lawyers handing out advertising on cards and chasing ambulances. Because there are a lot of single law offices, and we have a wide variety of individuals who are lawyers, I think that we just put a stop to it to keep the dignity of the profession.

**CEELM:** Are you comfortable with that rule? Does it seem to be achieving the ends it's designed for, or would you rather see it relaxed?

**Andrea:** Not fully relaxed, I would say. It's my personal opinion, but there might be some ways of promotion and law firm marketing that could be introduced, but it should be controlled, and again that leads to a problem, how do you control it – would it be budgetary control, would it be by type of advertising, would it be by type of media, or something else? I don't think that our Bar Associations will ever accept a huge banner in public advertising a law firm or a particular lawyer. But I assume there's certain ways promotion should be allowed. We should be looking at different examples in the region.

**CEELM:** Are you able to have websites?

Some law firms in neighboring countries are so nervous about the Bar Association that they're cautious even about that.

**Sead:** According to the bylaws of the Bar, law firms and lawyers are obliged to notify the bar of the address and content of their web sites.

**CEELM:** And are you able to identify clients? Are you able to describe the deals you've worked on on the website?

**Andrea:** As long as it doesn't violate client confidentiality.

**CEELM:** I know there's some discomfort between the local firms and the international firms, or at least there's some uncertainty about the rules for the international firms working here. Naida, you're at an international firm. Do you have any thoughts on that?

**Naida:** All of us here are local lawyers who work in cooperation with the international firms. This is fully in compliance with the rules.

**David:** Is the Bar okay with international firms?

**Naida:** The Bar does not have a special view on international firms. We do know that some lawyers feel uncomfortable with having foreign law offices present, but my personal belief is there should not be any issue as long as foreign lawyers do not advise on local law matters. In case of local law aspects there should be a cooperation with local law offices.

**CEELM:** Is it possible to be a foreign lawyer registered with the Bar?

**Aleksandar:** Yes, in the Republika Srpska it's possible, but under very very specific conditions. It's very complicated, and as far as I know it's mostly the Serbian lawyers who operate in the eastern part of the country that are registered.

**CEELM:** Do you know of any expatriate lawyers, I mean any English, American, Canadian, or Australian lawyers, in Bos-

nia at all?

**Bojana:** There are some in Serbia, but not here.

**CEELM:** Let's turn to the subject of business. What's happening?

**Nihad:** I think compared to the political situation in Bosnia, business is going pretty well.

**Bojana:** You know what they say about lawyers: we always have work, whether things are good or bad.

**CEELM:** People say that, but at least in the bigger markets, while firms can hang on for a while in bad times, eventually they have to start letting people go. But things here are pretty good? You're all busy?

**Bojana:** We've seen a change in what we do. Five, six, or seven years ago we had a lot of investments, a lot of incorporations, and a lot of deals. Now, we're dealing with the aftermath of that, meaning we have a lot of disputes, we have a lot of liquidations, we have a lot of bankruptcy procedures, and so on.

**Naida:** Yes, we still have a steady inflow of foreign investments, but the overall volume is much smaller than it used to be. The type of work we are involved in has also changed. We are seeing a lot of arbitration work. There was not much arbitration before, since people were investing. The disputes started later on, particularly when certain promises by governments were not kept.

**CEELM:** Is that true for all of you?

**Andrea:** We've seen an increase in financing projects, which is again, I suppose, a consequence of the current situation, economic and legal, so I'm hoping we won't be seeing much of aftermath of financing in terms of bankruptcies and disputes. In our office we've seen quite a busy summer, which is different from previous years. Normally, July-August would be a bit slow, then things would

pick up in autumn, and then obviously slow down – but this summer was quite busy. And that was something that we found a bit strange compared to the past six years, I think.

**CEELM:** Lawyers in many of the markets we've spoken to this year have told us that M&A started a bit slow but began to pick up in Q2. But it sounds like you're not seeing that many deals happening here. The way you describe it, it sounds like we're heading into a recession – it sounds like people are fighting and cutting their losses – not growing.

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*“We do know that some lawyers feel uncomfortable with having foreign law offices present, but my personal belief is there should not be any issue as long as foreign lawyers do not advise on local law matters. In case of local law aspects there should be a cooperation with local law offices.”*

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**Sead:** I wouldn't say that there are no M&A deals. There are M&A deals at a different level than what we experienced before. We are quite busy as an office. Over the past two years we did more than fifteen deals, but at a different level, I would say. In a market of 3.5 million people you cannot really expect to have multiple major deals in a short period of time. A very good day here at the stock exchange is when the traffic is KM 100,000 – about EUR 50,000 – in average trading.

**Andrea:** That's a good day.

**Sead:** That's a good day! So, I think there are deals, but at a different level. A lot of deals, as someone here said, come from restructuring, carve-outs, and things like that, and some of them also from bankruptcy proceedings.

**CEELM:** Is the economy not doing so well?

**Sead:** The economy's actually doing okay. If you read the numbers, you see that there has been a constant increase over the past five, six years. There has been a steady increase in, let's say, foreign trade and exchange. More in favor of export than import. So there is progress, but I would say it's still not sufficient.

**Bojana:** I think they just released data for 2016 for foreign investment, and we had a drop of 12% since 2015. That's a lot. I would blame politics for that, just the political situation.

**CEELM:** What's the political situation like right now for investment?

**Sead:** We're just a year ahead of elections, and you definitely do not see any movement.

**CEELM:** So it's all sort-of on hold?

**Sead:** The politicians would be focused on election campaigns. There are things that are in the pipeline, let's say mid-term (in the next five years), and there are plans for some divestments and privatizations in companies where the government holds shares. However, [those plans] only involve those companies of minor importance – companies where the government has a minority stake, or problematic ones where the government just wants to get rid of its stake and solve the problem. But the strategic industries, like telecommunications, energy, military industry, will most likely be on hold.

**Nihad:** I think there is a new trend in the past few years: investments in real estate by investors from Arab countries.



Bojana Bosnjak-London

And the majority of these investors are individuals or small companies, but there have been some bigger companies in the past few years as well.

**CEELM:** You're starting to see more investment from the Middle East.

**Nihad:** Yes.

**Bojana:** They're like, our third largest source of investment. Croatia's the first one, and then Austria. And Austria's been ... for years it's been the top source of investment.

**Sead:** Our major banks are Austrian.

**Andrea:** Or based in Austria, anyway.

**CEELM:** Let's talk about the judiciary. How good is it? How reliable, how transparent, how competent?

**Aleksandar:** Very bad. Very bad. And it's getting worse every year, that's the bigger problem. The biggest problems are corruption, lack of quality judges, and non-harmonized court practices, so sometimes you can get two different decisions about almost the same case in the same court – not just in two courts on two sides of the country, but even in the same court. So definitely we have a problem. Our judicial reform now is almost 15 years in, and, yes, we put some more money in courts, we have more technical equipment, but I think that we have a problem with the quality of decisions.

**CEELM:** In a recent Round Table in Ukraine, the participants said that, although there were frequent problems in the courts of first instance, eventually the Supreme Court would produce the appropriate result. Is that true here as well?

**Sead:** We had recent experience in two almost identical cases; all the parties were the same and both cases were employment-related disputes before the Supreme Court. The first judgment went one way, but in the second, just a month or so later, two judges took a completely different view. We definitely felt like this

should be addressed at the level of the management of the court, so we sent a letter, explaining that the reasoning in the first judgment would guide the court's judgment in the second, so that we could at least know which way the practice was going.

So I think there are a lot of question marks and issues when it comes to court practice. I don't think that even all of us who are practitioners feel comfortable referring to Supreme Court judgments anymore. I have a problem in even addressing the court, referring to the judgments. Because then you see the other party coming with the different judgment, from maybe the court in Republika Srpska or Brcko, and your reference to a judgment of the Supreme Court doesn't really matter.

In addition, just to add to what Aleksandar said, there's a huge backlog of cases. It's extremely high. We have instances where it takes six years to get a decision to appeal.

**Bojana:** Yes. By the time it's resolved, there's so little chance of enforcement or collections.

**Sead:** And I see that more frequently, lawyers are turning to the Constitutional Court, asking for intervention.

**CEELM:** How does this affect how you advise your clients? If they come to you with a problem, what do you say to them?

**[Many]:** Don't go to court.

**CEELM:** Really, you tell them to settle? You say, there's no predictability here at all, you might win but you might lose, and it doesn't have anything to do really with how strong your case is?

**Andrea:** Especially in certain areas of law, there is an even higher level of unpredictability, and I would say that in some cases – that would be tax cases – it's even worse than "unpredictable." We have seen a wide lack of knowledge or interest at the level of the relevant court.



Dino Aganovic



Sead Miljkovic



And IP rights. It seems that when it comes to IP or other less-developed areas in the country, that the courts simply don't have sufficient knowledge to get into the merits of the case, so they usually just look at the procedural aspects, and then try to rule along those bases. And with tax, we've seen several cases where the clients would go all the way to the European Court of Human Rights, because they simply could not get their case heard properly or reviewed properly, let alone decided upon.

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*“... with tax, we've seen several cases where the clients would go all the way to the European Court of Human Rights, because they simply could not get their case heard properly or reviewed properly, let alone decided upon.”*

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**CEELM:** Why is the level of knowledge and skill so low on the judiciary? Is it inferior education, is it a lack of continuing legal education, or is it just the quality of people who go into the judiciary?

**Andrea:** All the above.

**Sead:** All of it, and I would add a few things more on top of that. They do have training centers in both entities. They have training centers for the judges. This is just a reflection of the overall situation in society. I wouldn't really dare to say that there is corruption. I haven't witnessed it. But that doesn't mean that there is none.

**CEELM:** Someone in another conversation said, “the problem is that whenever lawyers lose, they say, ‘Well, we had the better case!’” It's a common excuse if you



lose, so who knows what the reality is? It could be corruption, but it may also be that you just lost.

**Sead:** Yes, there has to be someone to blame. But I think that the judges are also under a lot of pressure. As I just mentioned, there is a huge backlog of cases, they are fighting with their quota on a daily basis. Historically, people like to litigate here. They like to fight each other, they like to go to the court, there is some supreme authority that will decide on whatever kind of disputes, even with ourselves.

**Andrea:** It would seem that the first instance judges seem to be the worst, in our experience, because sometimes it seems they simply want the case to go to the second instance court, like: “Whatever happens, let them decide, I'll let the second instance decide.” And this is what creates the backlog, because often the second instance court will just send the case back to the first instance court, and then it just goes on and on.

**Bojana:** I think the big problem is also the fact that there is this quota of each entity in the judiciary, so even if you're not competent, but you fit into the quota, they will take you on.

**Sead:** I think all of us have experience

in the past with some illogical decisions from the high judicial prosecutorial council on appointments of judges. I used to work there, so I know the situation well. This institution used to be governed by the international community. There was a really significant influence. Ever since that influence vanished, you hear stories every now and then from your colleagues from university, they are struggling to apply for the tenth time to become a judge, with no chance. And they see that there are younger colleagues with stronger connections, and some political influence in the background, with less experience, are being employed as judges and prosecutors, so you do see this.

**Bojana:** Definitely.

**Andrea:** I would also add that there is a lack of accountability. The fact that the judges are not held responsible for any of the decisions they render means they can be really strange, to say the least.

**Dino:** Official statistics say that the High Judicial Council takes one out of ten reported cases into consideration. And there is a certain penalty for the judge in those one out of ten; usually saying, “do not do it again.” So 10% of the reported cases are analyzed, and in 1% there is some sort of a sanction for a judge.

**Nihad:** And I think that salaries are also an issue. Last time they increased the salaries for the judges was in the 90's, no?

**Sead:** In 2004 or 5.

**Nihad:** Yes, but judges are not motivated to stay in the courts, that's the issue. They become lawyers in the private sector.

**CEELM:** Djurdjica, do you deal with litigation? Does that come up for your company?

**Djurdjica:** Yes, unfortunately.

**CEELM:** How do you incorporate these concerns in your decisions what to do?

**Djurdjica:** I agree with everything. We have had many problems with court decisions, mostly involving labor cases, which traditionally here favor the side of employees. Everybody knows that, and so we have the biggest problems with those decisions, because most of the time the court puts the employee back to work. And you have to deal with it. It's really hard to terminate employees.

**Naida:** Yes, termination of employees is almost impossible.

**Sead:** A colleague of mine joked that, "the only field of law where I have 100%

results is employment - I lose all of them!" He was advising the employers.

**Bojana:** One time recently an employee was caught stealing from the company, and his defense was, "Well, everybody else was stealing." And the court ordered that he be taken back to work!

**CEELM:** The three entities has to be a complicating factor for the judiciary. Is there one Supreme Court for all three entities, are there three Supreme Courts, how does that work?

**Aleksandar:** We have three, I think. We have two and a half because we have the District of Brcko as a kind of hybrid jurisdiction. In some areas we have one law, like with VAT. In some areas we have two laws, but very very similar. And in some areas we have completely different laws, for example in Labor law. As regards the court, we don't have a Supreme Court on the state level, we have a Constitutional Court, with some appellate authority.

**CEELM:** So if you're an employer, and you have factories in two states, does that mean different rules can apply to employees in the different states?

**[Many]:** Yes.

**CEELM:** That must make work for the

lawyers, helping the employers. It's good business for the lawyers, right?

**Sead:** It is, but it's also, going back to your question on investments and why don't we see them, for some investors, it's too complicated. When you come to the Federation, then you have ten more cantons, some issues are regulated at the level of individual canton, like concessions, and even public and private partnerships, each canton has its own regulations. So it makes things even more complicated.

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*"Historically, people like to litigate here. They like to fight each other, they like to go to the court, there is some supreme authority that will decide on whatever kind of disputes, even with ourselves."*

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**CEELM:** And Dino, at HETA, you deal with litigation, right?

**Dino:** Yes, of course. This is our major business. We are a bad loan resolution company.

**CEELM:** And is that system problematic for you as well?

**Dino:** In general, everything that my colleagues said is true. We have issues with notorious verdicts and issues which are preposterous, but our major problem is lengthy procedures. A major issue for us in general is that even when we have well-prepared cases, with well-documented mortgages, even simple enforcement proceeding on a mortgage can last up to five or six years. In general, it lasts up to three years just to process enforcement on certain collateral. Because you have



all the obstruction that you can imagine. You have “fake bidders” – persons bidding in enforcement procedure without any real intention to buy an asset. There is no sanction for these persons in Bosnia and Herzegovina’s legislation and they can prolong the case for years – you have time in between hearings of six months, and it’s really difficult to collect something via court. So the conclusion is, “settle with the client wherever you can.”

But again, we had a great last two years, which shows that there is still money in Bosnia-Herzegovina. We have two companies, one is located in Banja-Luka – in Republika Srpska – and the second one is located in the Federation. Both of them have profited this year, so in the rank of SMEs, HETA is second in the Federation.

**CEELM:** You mentioned Saudi Arabia as a source of investment. Does the Muslim history and culture here encourage more investment from Turkey and other Muslim countries? Is that something you see here that they might not see as much in Serbia or Croatia?

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*“In some areas we have one law, like with VAT. In some areas we have two laws, but very very similar. And in some areas we have completely different laws, for example in Labor law.”*

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**Bojana:** Unfortunately, I think Serbia has more Turkish investment than Bosnia.

**Andrea:** The same is true with the Middle East in general.

**Bojana:** The big investment projects somehow go to Serbia, and then we get

these private individuals buying up land mostly for their own residential purposes, because they want to be settling here, because they like it here, because it’s Muslim-friendly and because it’s a nice climate and close to Europe. But the big investment projects mostly go to Serbia.

**David:** What about EU and NATO accession? Is the country split on questions like that?

**[Many]:** Yes.

**Andrea:** Sometimes they’re split just because they need to be split. You can’t have a consensus on certain things. And then there is the influence of neighboring countries, and then there are hidden influences that nobody’s aware of, but generally I think that it’s mostly a consensus not to be in consensus.

**CEELM:** What is the relationship between the entities? Is there a sense that at some point they will separate as well?

**Naida:** Sometimes I think it’s just the *status quo* being maintained. There is talk about a referendum in the Republika Srpska, although it does not seem to be imminent. Some are of the view that a split of the two entities would be better than to stay together. These thoughts and voices are somewhere in the background but get typically noisier around elections.

**Aleksandar:** The biggest problem is that we don’t have conversations about these topics between politicians. Sometimes I think that they like the situation like this, because we have election every two years, and it’s easier to win the election on this national issue. There is no open and frank conversation about problems.

**Dino:** Along the terms of money, we can all agree. We have the same common interests. And being split means having access to money and power for certain political interest groups.

**Sead:** The funny thing is nobody ever disputes the currency at the state level. Everything, from a joint army to VAT

regulations is disputed, but I never heard the currency disputed. It’s a shared interest. (laughs). But to go back to your question, the influence of the neighboring countries is still quite strong.

**CEELM:** Where do you see business coming from?

**Andrea:** Energy investments in terms of different sectors. Especially green energy, renewables, wind farms, also some old and traditional, standard sources.

**Bojana:** The big investments projects are mostly coal.

**Andrea:** Yes, but we’re seeing also a lot of interest coming from outside – not only from China, which would be more standard kind of existing sectors, further expansion, but also seeing Western countries’ interest in renewable energies, especially now where government support kind of went down in Western Europe for solar energy, and I think that might be something.

**CEELM:** Are you seeing wind farms appearing? Is that still happening?

**[Many]:** No

**Andrea:** It’s development-based, but then that goes down to the structure and complexity of the country, because you need to go through all these different levels to even set up a project, before you can start implementing it.

**Naida:** I think there is a lot of interest in wind farm projects, but the problematic part is the actual implementation, which is very complicated. There are different entities and local authorities that need to be involved to obtain all the permits that are necessary.

**CEELM:** And is real estate strong? It is in many markets, these days.

**Sead:** I wouldn’t say real estate as such, but infrastructure, definitely, there is highway construction and railways, to a certain extent, the airports are extending

their capacities now, we see in Tuzla, that airport is constructing new terminals, so you do see in infrastructure some progress.

**CEELM:** Are you encouraged by that?

**Sead:** Absolutely. The country is in desperate need of better infrastructure. If you go down in the south, you'll see how the roads are. We also see a significant increase in tourism. As an industry, in 2016 there was a growth of 18% in terms of the overall number of nights spent.

**Bojana:** Yes, in the whole country. It's fun, it's relatively cheap compared to the neighboring countries, and it's a really good and interesting place to visit.

**Andrea:** It's adventurous.

**Sead:** We have a lot of different kinds of tourists, too. You have religious tourism and you have health tourism, which is slowly developing. There are people coming for dentists, coming for plastic surgeries, maybe. And people coming for recoveries as well. I think that the Sarajevo health fund entered into some agreements with some foreign funds in Libya, and in Iraq, so they are doing some recoveries for their patients.

**Nihad:** In the telecommunications sector, a few years ago we had a lot of small companies and the sector is now being consolidated with a few players at the national level.

**Andrea:** The IT sector is busy. Startups that grow out of the startup phase, and then manage to go through some acquisition process. I see a couple of those, but they still haven't grown as companies and still remain fairly domestic in terms of their business operations, which means they hire a lot of people and tend to expand, and use the invested technologies for the development, so I would say the IT sector is still growing.

**Sead:** The food industry as well.

**CEELM:** The GDPR is creating a lot of

work for law firms in the EU. Are you doing any GDPR work here, or is that not a major source of work for you?

**Andrea:** I don't think there are that many companies with offices both here and in the EU. Usually, at least in our experience, it would be a corporation basis, or a best friends' basis, and with the acquisitions, we usually make sure that on the high level to sort it out so they can at least reduce the stringency of the regulations.

**Naida:** GDPR-related work will come here – just a little bit later than it has in the EU, like everything else. Although GDPR-related data privacy work will come to us with a certain delay, relevant work will pick up soon, likely coming from the local arms of international groups that consolidate and harmonize their data privacy rules and standards.

**Dino:** In all of Bosnia, you have seven inspectors who cover data protection. For the entire country, for all of the companies: seven. So you can imagine how many inspections they can make. So it's still not developed in the companies. You have foreign companies which apply these rules because they have to, because of the mother companies. But over here, you can expect never to be visited by inspectors. And even if they visit, the penalty is between EUR 5,000 and 50,000. And you cannot expect EUR 50,000 for a first offense. So it's worth the risk: if you pay a person, you have to pay his/her salary, which will in a couple of months amount to EUR 5,000.

**CEELM:** Is litigation strong for all of you? It sounds like the courts are full, so is everybody busy with that?

**Andrea:** There's a lot of litigation, but it's a question of whether you wish to deal with all types of litigation. I'm quite sure that most of the people in this room don't do commodity litigation. So if you look at the high-value disputes, or some strategic points that are important for clients, then I would say you go more to the court and to litigation. What keeps you busy is the fact that the procedures

are really lengthy. So it drags on, and I've also seen that many local attorneys in particular tend to extend the proceedings, they cause a lot of delays. Basically, what happens is that local attorneys have more commodity work, so that they won't be able to get into all of those litigations. As we mentioned, it is one-man shows, mostly, or they have a lot of young trainees, maybe not fit for litigation, at that level at least. And also, there's a lot of settling going on, so sometimes litigation is used as pressure for the eventual settlement. At least in our experience in litigation, the bigger law firms would usually get into more complex litigation, but not commodity work. Unless you have to, for example when you have requests from a long-standing client.

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*“In my view, the biggest problem the Bosnian legal market faces is the fragmented regulatory regime. Here you have various fragmented and unclear regulations and it can be very difficult to advise clients since the laws are simply unclear and ambiguous.”*

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**Sead:** It's also a matter of the client's liquidity. There are a bunch of clients – all of us have experienced this – who intentionally go into litigation to gain two or three years. The debtors are already trained and educated, and they know that there will be no real penalty or they can already see they'll go bankrupt, but they're intentionally pushing you into litigation.

**CEELM:** Let's go around the table and



describe your outlook for this year and going into next year, both for your firm and for the economy of Bosnia. Bojana?

**Bojana:** I'm definitely enthusiastic, as I'm sure that the work is coming, and we are quite busy.

**CEELM:** Are you optimistic that more transactional work is coming?

**Bojana:** It's hard to predict, I think probably not until after the election next year in October. I think that things are going to be slow until then in terms of big investments, but hopefully with the new structures in place ...

**Djordjica:** I am not as optimistic for the upcoming year as Bojana. It's election year, so everything will go slow. We don't have a strong legal framework for trade, and there won't be any changes before the elections.

**CEELM:** It's tough that an entire year before the elections, you're all already saying it's on hold.

**Bojana:** Locked down.

**Djordjica:** Everything stops, and parliament's slow with their work. I don't expect any new laws to be brought, but we expect a tax law and I don't think it will be written before elections. So we don't have a strong legal framework for trade and labor. So I'm not very optimistic.

**Andrea:** I think it'll mostly be a wait and see game, especially for transactional work. Based on previous experience, there may be some minor transactions, restructurings and that kind of work, but as Bojana mentioned, major investments or major M&As, I think, will probably be on hold until after the elections. A lot of different laws have been announced – the tax law in particular - which may have an impact.

**CEELM:** This tax law will have a positive impact? This is something you're looking forward to?

**Andrea:** That depends from which side you look at it! But in general I think that we may see some more financing coming in, and fewer cross-border M&A deals, at least for the next year or so.

**Bojana:** One thing that comes to mind is the restructuring of Agrokor. That situation is going to have to be resolved, and there might be some M&As coming out of that.

**Nihad:** We should also mention that last year both entities introduced new banking laws which for the first time have regulated NPLs, so we can expect some increased NPL-related work.

**Andrea:** We've just been to an NPL conference in London, and, to be honest, it seems that Bosnia is still not seen as an attractive market for this. The focus is still on Croatia, Romania, and now Ukraine, as being the next big things on the NPL market. With one billion euros of NPLs, we're apparently really small. But I think the lack of regulation might have been a thing, now, when things pick up, that could be a game-changer.

**Naida:** You are right. Due to the small size of the market we are not so interesting for large investors, but we have actually seen an increase in debt-restructurings and NPL-related work. For us, as it looks now, we will be busy for the next six

to eight months with restructurings and NPL transactions.

**Andrea:** One or two deals here are big, usually because they cross the country. And when you talk to lawyers in other markets, that's a monthly thing for them.

**Sead:** But there is also what we see now, there are a lot of NPL sales from neighboring countries, especially from Slovenia. They have these what they call bad banks, and they are selling their NPLs.

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*“It seems to me that companies in Bosnia – or maybe it's just our clients – are slowly recognizing the need to hire lawyers in order to prevent problems, and not only when those problems have already escalated.”*

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**CEELM:** We have a bad bank representative here, in fact. Dino?

**Dino:** My colleagues have taken some of my words. HETA was not a regulated entity. As they mention now there is a new NPL law, but still there are no bylaws explaining how exactly it would be regulated. However, HETA was the first in Bosnia to conduct a large-scale assignment of receivables from a bank as a regulated entity to a non-regulated entity, and as I mentioned, three years afterwards we are making a profit out of it.

The information is that some big European players are stepping in the market, and yes, compared to European standards the market is low, but one billion euros of NPL is something that can create big profit for you.

**CEELM:** Naida, what about you?

**Naida:** Like we said, as things look right now, at least the next six to eight months will be busy with debt restructurings and NPL-related work. Like the others here, we do not expect major M&A transactions or transactional work in general, except for financings. We do see an increase of local syndicated financing transactions which is interesting for us. To a certain extent, local banks are still trying to do such transactions with their own legal departments, but we are confident that more work will come to law firms due to the changing legal environment and the need to comply with international developments and standards.

**Nihad:** I think that the governments will try to use this year to push through and finalize some existing projects. There are three or four important pending energy projects, so probably they will push to finalize this, and to initiate the work before the elections. I think the same will be with the highway, and you can expect that they do open some new parts of the highway this year. That's it from the project side, and we will continue doing this litigation work.

**CEELM:** In fact, if I were going to ask what the biggest problem here was, it sounds like it would be litigation. Is that right?

**Naida:** In my view, the biggest problem the Bosnian legal market faces is the fragmented regulatory regime. Here you have various fragmented and unclear regulations and it can be very difficult to advise clients since the laws are simply unclear and ambiguous.

**Andrea:** And the lack of predictability. You really cannot know how any of the authorities will address your issue, because it depends on the day, or on the judge you get, or what instructions they got that week.

**CEELM:** Is it possible that you could have a case involving a similar set of facts in two entities and that they might rule differently?

**Andrea:** Completely.

**Naida:** You can also experience such a result in the same court or in the same authority. The result often depends on the person who makes the decision.

**Andrea:** Sometimes even the same judge.

**Naida:** Yes, sometimes even the same judge makes different decisions. So that's what makes it really tricky.

**Sead:** I agree. It's absolutely unpredictable, and it will to a great extent depend on the results of the elections. Unfortunately, you do not see at the moment how the things will develop, but in my experience working in such a turbulent market as Bosnia, sometimes just a small change can have a significant impact on the overall market. Just some change in trends, or in political views on certain topics, can really change the situation. For us, maybe dramatically, as everyone here just said, even two big deals a year are .... But to cut it short, there is some prospect of improvement, and we do see some positive movement in a number of industries. But I do not honestly expect any dramatic changes. We'll know in two years' time. I think we'll have a clearer picture after the election results are implemented and new governments are set up. And the post-election period sometimes takes a year, with coalitions forming at different levels, so it takes time. I would say in two years' time.

**Bojana:** And by then it'll be time for new elections. Unfortunately, that's how it goes. There's not a way for this country to progress.

**Aleksandar:** I agree mostly – I just want to add one thing. This year we have seen a huge increase of daily consulting work, even for domestic clients. It seems to me that companies in Bosnia – or maybe it's just our clients – are slowly recognizing the need to hire lawyers in order to prevent problems, and not only when those problems have already escalated. That's definitely the thing that marked this year in our office. We have a huge increase in

that kind of work. Even from clients who until recently hired us only when a problem had already escalated, now sometimes ask us before.

**CEELM:** That sounds like a growing sophistication of the market.

**Sead:** We are in 2017, and people are slowly realizing, as their businesses are growing, that maybe they should ask for help. But on the other side, I think the problem is always how to educate them that we do not do our work for free.

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*‘I’ve seen a lot of investment in in-house legal teams. I think they’re growing, they’re becoming more educated, more acquainted with the market and the trends.’*

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**Aleksandar:** There’s no free ride. This is an issue for all of us here. They expect to receive a high-level of advice free. That’s

with the locals, I’m just referring to the local clients, of course.

**Naida:** I think the situation is more or less the same for all law firms. Certain local clients tend to expect to get a lot for free.

**Andrea:** Picking up on this, I’ve seen a lot of investment in in-house legal teams. I think they’re growing, they’re becoming more educated, more acquainted with the market and the trends. A lot of members of law firms would generally choose to go in-house, and I think it’s a growing trend world-wide. It’s Generation Y with the work-life balance issues. And it is true that the hours are getting longer, in this profession. This is something that’s not very common in Bosnia, at least, where still work-life balance is very important. And also, what I haven’t yet seen but I kind of expect to see is the Big Four developing their legal teams and expanding into the legal market.

**CEELM:** Have you seen some of that growth here?

**Andrea:** Some of it, but mostly internal, they’re usually not big enough to provide full legal service. But I’m just thinking whether that’s going to come with the next couple of years as well.

**CEELM:** Do any of them have legal departments, not in-house, but external counseling clients here in Bosnia?

**Andrea:** Well, they do, it probably comes as extra work, with tax advising, so it’s not like it is in Western European countries right now, they’re developing, and beginning to compete in the legal market. So this is something that is probably on the horizon for us as well, likely.

**Sead:** What we’ve also seen over the past two years is that there is a growing trend among local law firms, mid-size law firms, forming some regional kind of cooperation, alliances. This is a 3.5 million people market, and the former Yugoslavia covers roughly 22 million people, and then there is a need for multi-market coverage. There are some advantages, such as language and culture, things that are not really barriers to some of the firms. But we do see that they are teaming up, they are exchanging clients, this is a trend.

**With that the conversation drew to a close. We would like to thank the participants for sharing their views and opinions with us, and Wolf Theiss Bosnia & Herzegovina for their hospitality in hosting the event.**

David Stuckey



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# MARKET SPOTLIGHT: ROMANIA



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## GUEST EDITORIAL: RETAINING PROPER LEGAL REPRESENTATION FOR ROMANIAN STATE-OWNED COMPANIES IN INTERNATIONAL ARBITRATION

Recent years have seen a remarkable increase in the number of international arbitration disputes involving Romanian parties. In light of its flexibility, of the freedom parties have in constituting the arbitral tribunal and choosing the seat and language of the arbitration, and the perceived speedy and effortless enforceability of arbitral awards, international arbitration has become a widely-used dispute settlement mechanism.

A great number of disputes referred to international arbitration involve state-owned companies and arise from contracts regarding projects of national importance spanning various sectors and industries. Often highly publicized, these high-stake cases often entail lengthy and complex arbitration proceedings, involving a multitude of sensitive and intricate contractual and legal matters. Recent highly-publicized arbitrations in Romania have involved the privatization of state-owned companies responsible for the supply and distribution of energy and the modernization and rehabilitation of several major national roads.

Parties taking part in such disputes face a difficult and challenging legal battle, in which retaining experienced and specialized legal counsel possessing a strong knowledge of the applicable procedural rules and a good understanding of the particularities of the arbitration proceedings is a key component.

Nevertheless, while the stakes are high, in practice, Romanian state-owned companies often struggle with the process of retaining proper and timely legal representation, all too often pursuing an excessively burdensome and unnecessarily long public procurement procedure, which can have a significantly detrimental effect on the company's interests and legal position.

In particular, this may be seen where a private entity initiates arbitration proceedings against a Romanian state-owned company which is forced to react promptly in preparing its defense. Failing to retain counsel in a prompt and speedy manner in these cases can deprive the state-owned company of legal representation during the incipient stages of the arbitration, which include several essential elements in the proceedings, such as the constitution of the arbitral tribunal, the execution of the terms of reference, the finalization of the procedural timetable, and the submission of potential counterclaims.

Thus, it is not unusual to find that by the time a state-owned company has succeeded in retaining legal counsel, the arbitration proceedings are already well underway, and significant

opportunities to consolidate its position have been irrevocably lost.

In addition to its considerable length, the process employed by Romanian state-owned companies to retain legal representation is often rigid and formalistic, with the essential criterion being the lowest price, rather than an appropriate level of arbitration expertise. Indeed, a selection process relying on the lowest price, grounded in apparent budgetary constraints, has several disadvantages, including the fact that relying on a purely formal analysis makes a genuine assessment of the candidates based on the breadth of their international arbitration expertise or their understanding of the particular legal and factual circumstances of the case impossible.

As a consequence, the lowest price approach, by prioritizing the short-term benefits of controlling the immediate and direct costs of the legal representation, risks surrendering the ability to retain the firm with the highest professional expertise and track record in favor of an inadequately prepared counsel who lacks the resources and experience required to provide efficient and proper legal representation. Thus, in the long-term, failure to retain suitable counsel may have a significant impact on the position of the state-owned company in the arbitration proceedings and on its ability to effectively present its case.

Considering the specific and complex nature of international arbitration proceedings, entailing substantial amounts in dispute and a host of difficult legal and contractual matters, we recommended that state-owned entities rethink the manner in which they retain legal representation and focus on ensuring that they benefit from the services of highly experienced external counsel that is familiar with the specifics of the arbitration process. In order for that to happen, Romanian state-owned enterprises need to identify a simplified and speedy selection process grounded on multiple objective criteria, rather than the restrictive "lowest price" requirement currently in place.

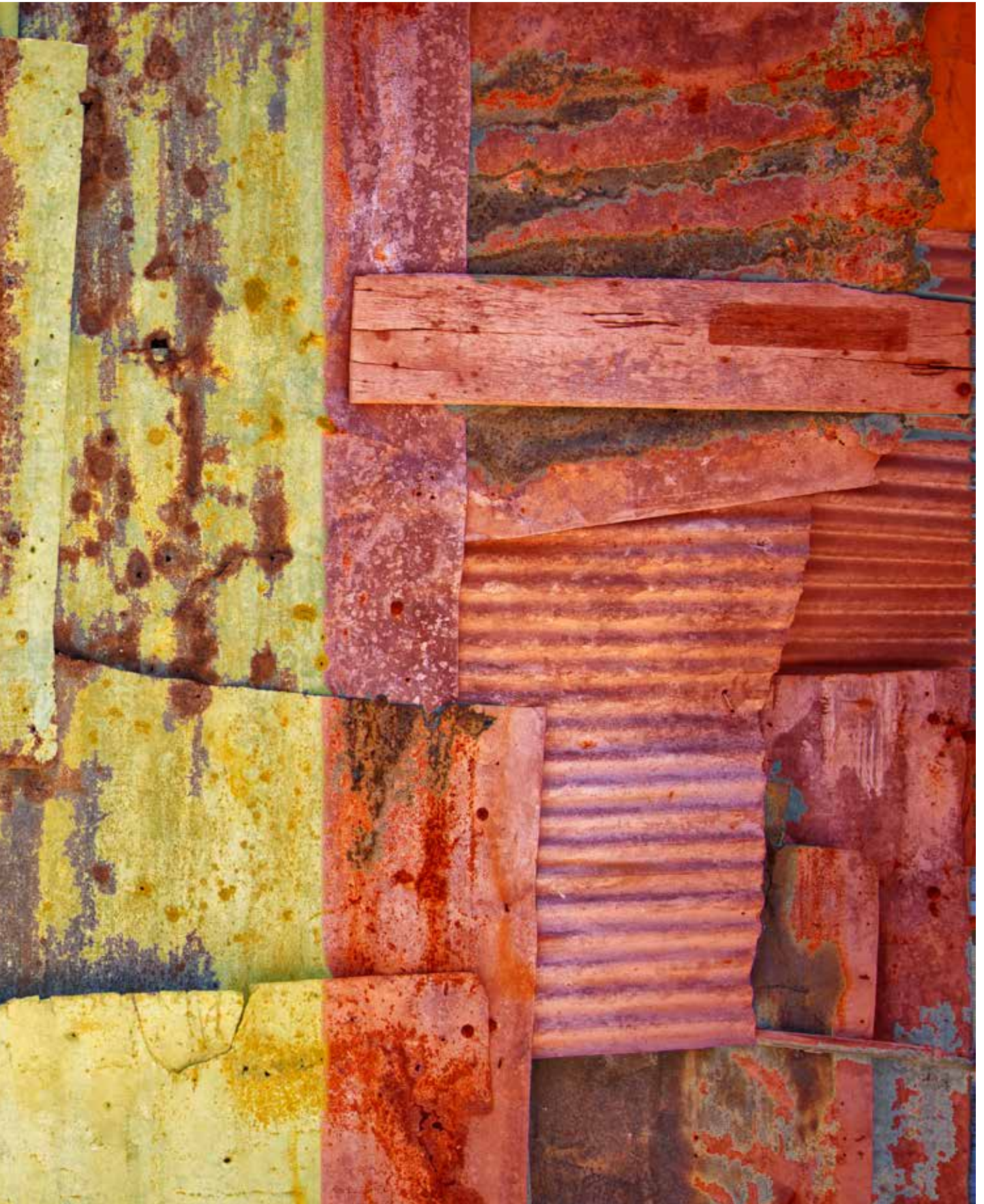


**Gheorghe Buta, Partner, Head of Litigation & Arbitration, Musat & Asociatii**



# **NOT CONVINCED: ROMANIA'S LAWYERS WORRY THAT ECONOMIC INDICATORS PAINT A MISLEADING PICTURE**

**Although Romania claims the highest GDP growth rate in Europe and a low unemployment rate, all is not rosy in the seventh most populous member state of the European Union, and prominent lawyers in the country admit to profound dissatisfaction with the country's leadership and concern about its long-term prospects.**





Sergiu Gidei

### Emerging from Darkness

Nobody would deny Romania's challenges. The country remains one of the poorest in Europe, with an average monthly wage of only EUR 540 in 2016, and the country is ranked 50th out of 51 countries in the "Very High Human Development" section of the Human Development Index prepared by the United Nations Development Programme. (See Box 1).

Still, its progress in recent years has been remarkable. Romania's EUR 374.51 billion GDP (PPP) in 2016 represented a 5.0% increase from the year before – the largest growth rate in Europe reported that year (see Box 2) – and it has reportedly shot up to 7% (again the highest in Europe) through the first nine months of 2017. The country's GDP per capita of EUR 18,950 in 2016 was 59% of the European Union average, up from only 41% when it joined the EU in 2007. Meanwhile, unemployment is at a relatively low 5.4% (see Box 3).

You would expect lawyers in the country to be enthused about that growth, reveling in what must be booming books of business, and optimistic about the years to come.

You would be wrong.

### Exchanging Short-Term Gain for Long-Term Potential

Despite the country's growth, Ion Nestor, the venerable head of Nestor Nestor Diclescu Kingston Petersen, claims that "the mood on the ground is not one of hyper-optimism despite the economy doing well on paper." He worries that the standard of living and other economic indicators have been "pumped up," with insufficient focus on long term sustainability.

Bryan Jardine, the long-time Managing Partner of Wolf Theiss's Bucharest office, agrees. "My concern is that the growth Romania is currently experiencing may not be sustainable, since it is being driven largely by increases in short term consumer consumption (bolstered by recent VAT reductions and salary increases) but with no corresponding productivity gains by the work force or any significant government invest-

ment in longer-term systemic improvements or infrastructure. The government is increasing spending without increasing tax revenues, risking a ballooning deficit, coupled with inflationary pressures, and it is now trying to figure out new and exotic ways to find these revenues (e.g. a 'split' VAT scheme, taxes on turnover instead of profits, 'solidarity taxes,' and so on)."

Jardine does not deny that 2017 has been a good year both for the country and his own business – but he, like Nestor, worries that that success may be built on sand. "I am concerned that the current government has no long-term plan for the development and progress of Romania and to make it an attractive destination for FDI. Instead, they seem more concerned about retaining power—by ramming through legislation that modifies existing laws on anti-corruption, weakening the enforcement of certain anti-corruption laws that may impact their current hold on power, or distributing more financial largess to their constituents in order to solidify their political hold over this segment of the population."

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*"...by necessity you need the commitment to these projects by a bold government that is willing to look beyond the short term and beyond the next election cycle."*

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Sergiu Gidei, the Managing Partner of CEE Attorneys Boanta, Gidei si Asociatii, is similarly concerned. "In my opinion the growth of the Romanian economy is too much based on the consumption stimulated by certain governmental policies (like an increase in minimum wages), as well as affordable financing granted by the financial sector. The risk is that such growth is not sustainable in the medium and long term." Instead, Gidei says, "the economic growth should be directed to some solid sectors



Sebastian Gutiu



Bryan Jardine

like public infrastructure projects and industry.”

And Sebastian Gutiu, the Managing Partner of Schoenherr Bucharest, concurs. “I tend to believe that consumption by itself cannot continue to sustain a strong economic growth for too long.” According to Gutiu, “Romania should be looking for solutions to increase the predictability and stability of its legislative and fiscal framework, while on the economic level it should focus on finding ways to attract foreign direct investments (a difficult task, considering the already low level and the recent descending path registered by FDI), to increase the EU funds absorption rate and to lower the foreign account deficit.”

### Building Bridges and Roads ... to Economic Health

Indeed, there seems to be a consensus that the repeated delays to long-awaited infrastructure projects is a real problem concern. Most point the finger at the political class. “I think that there is a lack of political consensus between all political forces regarding the major public infrastructure projects,” says Gidei. “It should be decided upon such major projects which are essential for Romanian economy and such major projects have to be assumed and implemented by all political forces.”

Schoenherr’s Gutiu agrees: “I would say the lack of stability has been the main reason for Romania’s failure to develop its infrastructure. And I am not talking only about the unstable legislation – or rather the lack of a proper legislation, if we refer to PPPs – but mainly to the succeeding governments’ inability to follow a common path towards reaching this aim. With every change in the executive system, new objectives have been set, usually different from those of the preceding administration. While the much-expected PPP law might encourage investors to consider entering Romanian infrastructure projects, the need still remains for turning infrastructure into a much less politically-driven area.”

Jardine agrees that such projects “have long term positive impact on the development of Romania and the economy,” and says

that the government’s failure to launch them is revealing, as “by necessity you need the commitment to these projects by a bold government that is willing to look beyond the short term and beyond the next election cycle.” He says, “we need a government that is committed to a longer-term vision for Romania and not short term immediate gratification or the next election cycle.”

*“It is important for all political parties and politicians to try to unite around basic common principles – i.e. its commitment to the EU and commitment to moving Romania forward as a country with citizens who are prosperous and enjoy a good quality of life with a protected environment and resources, good health care, and education. The Romania of the future should be better for our children than the Romanian of today is for us.”*

Part of the problem, Jardine believes, is the amount of time necessary to bring infrastructure projects to fruition, which conflicts with the need for political advantage. “If a government initiates a particularly large infrastructure project,” he says, “there is a good chance it will not be successfully concluded while they are still in power. The successor government, even if from a different party, which may have actually opposed the project, may be rewarded with praise from the project’s successful completion.”

Nonetheless, in Jardine’s opinion, the long-term health of the country should supersede this thirst for short-term advantage.

#### Box 1: List of “Very High Human Development” Countries in 2016 Human Development Report by the United Nations Development Programme

Rank	Country
1	Norway
2	Australia
2	Switzerland
4	Germany
5	Denmark
5	Singapore
7	Netherlands
8	Ireland
9	Iceland
10	Canada
10	United States
12	Hong Kong
13	New Zealand
14	Sweden
15	Liechtenstein
16	United Kingdom
17	Japan
18	South Korea
19	Israel
20	Luxembourg
21	France
22	Belgium
23	Finland
24	Austria
25	Spain
26	Slovenia
27	Italy
28	Czech Republic
29	Greece
30	Brunei
30	Estonia
32	Andorra
33	Cyprus
33	Malta
33	Qatar
36	Poland
37	Lithuania
38	Chile
38	Saudi Arabia
40	Slovakia
41	Portugal
42	UAE
43	Hungary
44	Latvia
45	Argentina
45	Croatia
47	Bahrain
48	Montenegro
49	Russia
50	Romania
51	Kuwait

**Box 2: Real GDP Growth Rates in Europe\***

Rank	Country	GDP Growth Rate (%)	Year
1	Monaco	5.40	2015 est.
2	Malta	5.00	2016 est.
2	Romania	5.00	2016 est.
4	Iceland	4.90	2016 est.
5	Ireland	4.20	2016 est.
6	Bulgaria	3.90	2016 est.
7	Albania	3.80	2017 est.
8	Montenegro	3.70	2016 est.
9	Luxembourg	3.50	2016 est.
10	Slovakia	3.30	2016 est.
10	Sweden	3.30	2016 est.
10	Turkey	3.30	2016 est.
13	Georgia	3.10	2016 est.
13	Spain	3.10	2016 est.
13	Poland	3.10	2016 est.
16	Bosnia and Herzegovina	3.00	2016 est.
17	Cyprus	2.80	2016 est.
17	Serbia	2.80	2016 est.
19	Czech Republic	2.50	2016 est.
19	Slovenia	2.50	2016 est.
21	Macedonia	2.40	2016 est.
22	Ukraine	2.30	2016 est.
23	Armenia	2.20	2016 est.
23	Lithuania	2.20	2016 est.
25	Latvia	2.10	2016 est.
25	Netherlands	2.10	2016 est.
27	Hungary	2.00	2016 est.
27	Moldova	2.00	2016 est.
-	European Union	1.90	2016 est.
29	Croatia	1.90	2016 est.
30	United Kingdom	1.80	2016 est.
31	Germany	1.70	2016 est.
32	Austria	1.50	2016 est.
32	Estonia	1.50	2016 est.
34	Belgium	1.40	2016 est.
34	Finland	1.40	2016 est.
34	Switzerland	1.40	2016 est.
37	Denmark	1.30	2016 est.
38	France	1.10	2016 est.
39	Portugal	1.00	2016 est.
39	San Marino	1.00	2016 est.
41	Italy	0.80	2016 est.
41	Norway	0.80	2016 est.
43	Greece	0.10	2016 est.
44	Russia	-0.80	2016 est.
45	Andorra	-1.10	2015 est.
46	Belarus	-3.00	2016 est.
47	Azerbaijan	-3.80	2016 est.

\* Source: "Country Comparison: GDP - Real Growth Rate," CIA World Factbook

"It is important for all political parties and politicians to try to unite around basic common principles – *i.e.* its commitment to the EU and commitment to moving Romania forward as a country with citizens who are prosperous and enjoy a good quality of life with a protected environment and resources, good health care, and education. The Romania of the future should be better for our children than the Romanian of today is for us."

*"If a government initiates a particularly large infrastructure project, there is a good chance it will not be successfully concluded while they are still in power. The successor government, even if from a different party, which may have actually opposed the project, may be rewarded with praise from the project's successful completion."*

Anca Mihailescu, the Co-Managing Partner of Ijdelea Mihailescu, describes the failure to launch necessary infrastructure projects as "one of the biggest blocks in the country's overall development and particularly of the development of specific parts of the country." Because infrastructure requires significant commitment from the government, she says, "probably, at least in the last years, the main reason for the lack of sustainable projects has been the political uncertainty triggered by what seems to be a never-ending changing of governments."

The solution, Mihailescu says, may involve an increased use of public private partnerships. According to her, "everybody is waiting for PPP reform, especially considering that PPP has been actively implemented in other countries for many ground-breaking infrastructure projects. A new PPP law was

adopted in Romania at the end of last year and it can be seen as a step forward in facilitating PPP projects but currently it is not functional mainly [because] the corresponding norms have not been enacted so far. We remain hopeful that the norms will be implemented and PPP projects will start to be implemented maybe starting with the second part of next year.”

### The One-Eyed Man is King in the Land of the Blind

Of course, none of the lawyers we spoke to claim that Romania’s impressive economic indicators and persistent growth is a bad thing; and, indeed, there’s plenty of reason for hope.

Gabriel Zbarcea refers to the country’s attractiveness for foreign direct investment as “a big positive,” and suggests that one area showing real potential is the country’s defense industry, where – consistent with the country’s publicized commitment to spend two percent of its gross domestic product on defense every year for the next nine years – several notable deals have taken place in recent months. Such deals include the country’s recent agreement with US-base defense contractor Raytheon for maintenance of Patriot missile defense systems (described by Romania’s Ministry of the Economy as the first step towards the country’s acquisition of Patriot missile defense systems from Raytheon), a cooperation agreement with Airbus Helicopters for production of the H215M multi-role helicopter in Romania, and a cooperation

agreement with General Dynamics to facilitate the in-country production of armed vehicles in partnership with Uzina Mecanica Bucharest for delivery to the Romanian military.

In addition, Zbarcea says, “there is a revitalization of the real estate market and a lot of work on banking matters – in particular NPLs, where 2017 may be one of the busiest years in terms of numbers.” Finally, although he agrees that there “is definitely room for a lot more infrastructure projects,” Zbarcea notes that a few projects have gotten off the ground in recent months, pointing in particular to the successful public procurement procedure this past spring for the widening of the southern section of Bucharest’s ring road and a separate process involving the construction of a new EUR 500 million bridge over the Danube in the Braila area of eastern Romania, which is expected to become one of the five largest bridges in Europe and which has been described in the media as “the biggest infrastructure project the country has seen in decades.”

And other areas are active as well. Ion Nestor, for instance, describes disputes, energy (in particular oil & gas), workout and restructuring, fiscal work (including transfer pricing), and data protection as particularly promising areas for his firm.

And some of them are likely to stay hot. Bryan Jardine – who notes with pride that his office has recently hired a new Partner, Maria Maxim, to lead its Data Protection



Anca Mihailescu



Ion Nestor



Gabriel Zbarcea



Southern Section of Bucharest’s Ring Road

Practice – says that work related to the GDPR won't end with its implementation in May 2018, as “those companies that don't comply or don't appreciate the gravity of the legislation will soon realize if they are audited and/or fined by the DPA. The potential fines are significant and this is where companies will again need legal advice and support.”

Otherwise, many believe that Romania's greatest asset may be its relative stability and political moderation – a rare commodity in the region these days. Zbarcea notes that the country's attractiveness is in part due to the challenges investors might face in other markets in the region, such as Turkey, Poland, the Czech Republic, Ukraine, and Hungary.

Bryan Jardine also suggests that Romania is attractive in large part because it serves as the “last man standing” in the region, perceived to be relatively stable, in contrast to the perceived political hurdles in neighboring countries. Jardine says that, in this context, success is simply a matter of “not shooting ourselves in the foot.”

And in fact, Jardine says, deal-making is safer in Romania than before, as the risk associated with deals in the country has decreased considerably as a result of the legislative harmony that accompanied EU accession. According to Jardine, “it is fair to say that Romania now has a well-developed body of EU-based laws and regulations which bring harmony and consistency to the Romanian legal landscape. In addition, there are more insurance products available on the Romanian market (*e.g.* real estate title insurance, representation and warranty insurance, professional insurance, *etc.*) to mitigate investor risk around remaining legal uncertainties in the local market.”

Ultimately, according to Jardine, the country's inherent prospects are extremely strong – if the government doesn't interfere with them. “If the government simply maintains stable and sensible legislation and fiscal policies,” he says, “there is a potential for enormous FDI – looking for an investment destination and with a current lack of suitable alternative markets in the CEE/SEE region.”

**David Stuckey**

### Box 3: Unemployment Rates Across Europe\*

State	Unemployment Rate	Date
Belarus	1.0	2015
Monaco	2.0	2012
Liechtenstein	2.3	2012
Czech Republic	3.0	2017
Moldova	3.3	2015
Switzerland	3.4	2015
Iceland	3.5	2015
Germany	3.8	2017
Andorra	4.0	2012
Hungary	4.1	2017
Denmark	4.3	2017
United Kingdom	4.3	2017
Norway	4.6	2015
Netherlands	4.8	2017
Poland	4.8	2017
Malta	5.1	2015
Russia	5.8	2015
Republic of Ireland	6.0	2017
Slovakia	6.4	2017
Estonia	6.5	2016
Luxembourg	6.7	2015
Romania	6.7	2015
San Marino	7.0	2012
Lithuania	7.4	2016
Sweden	7.5	2015
Belgium	7.8	2015
Slovenia	7.8	2017
Bulgaria	7.9	2015
Finland	8.2	2015
Ukraine	9.4	2015
Latvia	10.3	2016
Austria	10.6	2015
France	10.6	2015
Croatia	10.8	2017
Italy	11.3	2015
Portugal	12.4	2015
Serbia	13.0	2017
Cyprus	15.8	2015
Spain	16.8	2017
Montenegro	17.3	2015
Albania	17.5	2015
Greece	21.7	2017
Republic of Macedonia	22.6	2017
Bosnia and Herzegovina	26.4	2016
Kosovo	35.3	2014

\* Source: Wikipedia, retrieved on November 20, 2017



# INSIDE OUT: LACTALIS' ACQUISITION OF ROMANIA'S COVALACT DAIRY PRODUCER FROM SIGMABLEYZER

**The Deal:** In July 2017, CEE Legal Matters reported that Romania's Leroy si Asociatii law firm had advised France's Lactalis group on its acquisition of Romania's Covalact S.A. dairy producer from the SigmaBleyzer private equity firm, with Schoenherr advising SigmaBleyzer on the deal.

**The Players:**

• **For Lactalis:**

**Bruno Leroy, Partner,  
Leroy si Asociatii**

• **For SigmaBleyzer:**

**Madalina Neagu, Partner,  
Schoenherr Bucharest**

**CEELM:** How did you and your firms become involved with Lactalis in this matter, Bruno? Why and when were you selected as external counsel initially?

**LsA:** Lactalis has been our client for over ten years – a period throughout which we have assisted them on their largest transactions on the Romanian market.

I believe that one of the main reasons

we were selected is our understanding and knowledge of the Romanian market. In addition, we are dedicated to delivering the best legal advice, and we are very attentive to details and are proactive and innovative thinkers, priding ourselves on our abilities to assist our clients in successful transactions.

Our first contact with Lactalis was over ten years ago, when they started looking to expand their business in Romania.

We initially assisted the French Group on their first acquisition on the Romanian market: the acquisition of the dairy division of LaDorna Group, a prominent brand in the dairy market in Romania. This was back in 2007.

Their next move took place in 2016 and involved the acquisition of Albalact – the largest Romanian dairy producer. We advised Lactalis on all transactional, regulatory, and antitrust aspects of this deal. This transaction was the first significant voluntary takeover bid carried out on the Bucharest Stock Exchange followed by the squeeze-out of the minority share-

holders.

And last but not least, in July 2017, we advised the French group on the acquisition of Covalact – a deal which confirmed Lactalis' commitment to make Romania the hub of their regional development. We assisted them in all transactional and regulatory aspects of the deal. This involved drafting and negotiating the transaction documents, notifying the transaction and submitting commitments to the Romanian Competition Council in order to obtain antitrust clearance.

**CEELM:** What about you, Madalina? Did your participation in Lactalis's 2016 acquisition of Albalact play a role?

**Schoenherr:** SigmaBleyzer is a long-time client of Schoenherr, so we knew them and had worked for them on other projects before. It was in the very early stages of their intention to sell that they instructed us to assist on their exit from Covalact. Our previous experience in the Albalact deal might have played a role in the client's eyes in the sense that it showed we were already familiar with the Roma-



Bruno Leroy



Madalina Neagu

nian dairy market. But when SigmaBleyzer first instructed us on the Covalact deal, the project was in such an incipient phase that no one could predict Lactalis would be the buyer. So if the fact that we had already met the buyer in a previous similar transaction was a plus, this came in handy only at a later phase of the project, and not when the client instructed us.

**CEELM:** Were the two deals – Lactalis’s acquisition first of Albalact and then of Covalact – related in any way?

**LsA:** Unfortunately, we do not have details regarding Lactalis’s strategy at a CEE level.

**Schoenherr:** For the buyer I assume the two deals are part of a plan to consolidate their position on the Romanian market. But for our clients and our firm, there is no connection between the two projects. We assisted two different clients in two distinct transactions: in the Albalact deal, we assisted Reconstruction Capital II and Raul Ciurtin, and in the Covalact deal, we assisted SigmaBleyzer.

**CEELM:** What, exactly, was the initial mandate when you were both retained for this particular matter?

**LsA:** The initial mandate when we were retained for this project was the acquisition of 100% of the shares issued by Covalact, consequently this was the deal structure that was consistently followed by Lactalis.

This project started in the third quarter of 2016 when we were given access to the virtual data room organized by the seller for performing a due diligence project with respect to the target companies, covering the most important legal areas.

**Schoenherr:** As mentioned above, we were contracted by SigmaBleyzer at an early stage of its intent to sell. We were retained to deliver a vendor due diligence and to assist in all phases of the deal (*i.e.*, structuring, documentation, negotiations, post-signing assistance, and closing). Covalact was an appealing target for dairy market players, and in the competitive process that was the first phase of this project Lactalis was one of a series of prospective buyers.

**CEELM:** Were you involved in the selection of Lactalis as the eventual buyer?

**Schoenherr:** We were already involved in the project when Lactalis submitted their offer to the seller.

**CEELM:** Who were the members of your team, Bruno, and what were their individual responsibilities?

**LsA:** Our team consisted of three of the four Leroy si Asociatii partners: myself, Andreea Toma, and Eleonora Udrouiu.

When discussing responsibilities, the negotiations and the Share Purchase Agreement were handled by myself and Andreea Toma, while the proceedings related to the notification of the transaction to the Competition Council were handled by Eleonora Udrouiu and myself.

**CEELM:** What about your team, Madalina?

**Schoenherr:** For our part, the project was coordinated by Markus Piuk, a partner in Schoenherr’s Corporate/M&A practice, and myself. The core team also included Alexandra Munteanu, a senior attorney at law in Schoenherr Bucharest’s Corporate/M&A practice group. On the aspects related to other practice areas, our Bucharest colleagues Georgiana Badescu (a partner in the EU & Competition practice), Silvia Opris (a partner in the

Real Estate practice) and Adriana Radu (a partner in the Labor & Employment practice) were also involved.

**CEELM:** Please describe the final agreement in as much detail as possible: how was it structured, why was it structured that way, and what was your role in helping it get there?

**LsA:** B.S.A. International purchased the stake held by SE Dairy B.V. in the share capital of Covalact. Through this acquisition B.S.A. International gained direct control over Covalact and indirectly over its subsidiaries Lactate Harghita S.A. and Covalact-Prodserv S.R.L.

The share purchase agreement included the terms and conditions usually used for this type of transaction. It was signed on December 16, 2016, and the closing took place on June 30, 2017.

**Schoenherr:** The transaction was structured as a share deal, which is actually the most common deal structure. It is preferred by investors as it is easier to implement than asset deals and ensures that the business post-transaction is operational from Day 1. I would not want to minimize our role in the transaction, but it’s only fair to say that our participation was standard M&A lawyer work and the process did not face any unsurmountable bumps along the way.

**CEELM:** What was the most challenging or frustrating part of the process?

**LsA:** The most challenging part of this process was the duration of the proceedings for obtaining clearance from the Competition Council. This was a quite long and complex process, from preparing the notification of the economic concentration operation to the submission of commitments to the Romanian Competition Council.

The Romanian Competition Council cleared the economic concentration by accepting the commitment of our client to grant a time-limited license for one of its brands for butter to an independent third party, with the purpose of allowing the licensee to carry out a re-branding process within a certain period of time.

**Schoenherr:** The only challenge was timing, as the entire deal was signed within a matter of months. There was some time pressure and the deadlines in each phase were quite tight, but what helped a lot was the fact that both parties shared a common goal of getting the deal done in a swift manner.

**CEELM:** Was there any part of the process that was unusually or unexpectedly smooth/easy?

**LsA:** Of course as with any major transactions there were good and difficult parts. As regards the Lactalis-Covalact transaction, the finalization of the closing documents and the implementation of the post-closing actions were the parts of this process that went on very smoothly.

**Schoenherr:** The process did go smoothly, but I would not say this was unexpected, as both parties had prior transactional experience on the Romanian market and a clear picture of their objectives. As a result, the negotiations were professional and business-oriented.

**CEELM:** Did the final result match your initial mandate, or did it change/transform somehow from what was initially anticipated?

**LsA:** The final result was in line with the initial mandate as from the beginning

the goal was the acquisition of 100% of shares issued by Covalact and of course the authorization from the Competition Council.

**Schoenherr:** Our initial mandate remained unaltered throughout the project. We defined our scope of work in the beginning together with the client and there was no need to change it, as there were no unforeseen events to change the course of the transaction.

**CEELM:** What individuals at Lactalis did you work with, Bruno and how did you interact with them?

**LsA:** As I was mentioning earlier we have a very good relationship with Lactalis, having them as a client for over ten years. On the Albalact and Covalact transactions, we worked with Mr. Erick Boutry, Head of the Mergers and Acquisition Department of Lactalis Group and with Gaelle Breton, Legal Counsel at Lactalis Group. It is honestly very easy working with them, and the interactions between our teams were very smooth.

**CEELM:** What about your contacts at SigmaBleyzer, Madalina?

**Schoenherr:** We worked closely with Mr. Lev Bleyzer, who is a Founding Partner and the Chief Operating Officer of the company, and with Mr. Radu Bugica, the company's Country Manager in Romania, who played a key role in Covalact's management as representative of SigmaBleyzer in the company's Board of Administration.

**CEELM:** How would you describe the working relationship with Schoenherr on the deal, Bruno?

**LsA:** We have sat across the table from Schoenherr many times in the recent period, thus I can say that our interaction with them is a good one.

Our teams worked closely on various occasions, either through personal meetings, emails or phone calls.

Our working relationship with Schoenherr is a smooth one, we know each other well, as they were the firm advising on the seller side for the Albalact deal as well.

**CEELM:** And how would you describe the relationship, Madalina?

**Schoenherr:** I believe the fact that we had met before in the Albalact deal, with Leroy si Asociatii representing Lactalis, did play a role in how the Covalact deal was handled from a legal perspective. This allowed for a positive level of predictability in approaching the juridical aspects, which in the end helped in meeting the tight deadlines. The team at Leroy si Asociatii involved in these two deals shows a good understanding of their client's commercial objectives and this helps them approach the legal aspects in a pragmatic manner.

**CEELM:** Finally, how would you each describe the significance of the deal to Romania?

**LsA:** This deal is quite significant to Romania as the presence of the French group – the worldwide leader in dairy products – is of great importance to the local market. Furthermore, this proves the commitment and trust shown by Lactalis to the country and to its future development.

**Schoenherr:** The two deals – Albalact and Covalact – have recently won us an award from a leading Romanian business journal for advising on the largest transaction of 2016 in the FMCG sector in Romania. Also, the fact that the two deals involved the two largest Romanian dairy producers is an indication of their importance in the local dairy industry, as they generated the current dairy market leader. Furthermore, the fact that SigmaBleyzer obtained a good return on their investment and, through proper management, turned Covalact into an appealing target for investors gives a positive signal for private equity funds interested in investing in and managing local entities.

David Stuckey

# MARKET SNAPSHOT: ROMANIA



## SPLIT VAT - TO BE OR NOT TO BE



Felix Tapai

Romanian Government Ordinance no. 23/2017 regarding split VAT payment entered into force on October 1, with its provisions being optional until the end of 2017. On January 1, 2018, the Ordinance becomes mandatory.

According to the Ordinance, VAT payments to suppliers must be made directly to a special VAT account which each company is required to open. Similarly, VAT must be collected only in the special VAT account if the payer is a taxable entity. If the payer is not a taxable entity (*e.g.*, if the payer is a natural person), the VAT collected by the company must be redirected to the special VAT account within seven business days.

Public institutions and all taxable entities are required to apply the split VAT scheme, including any entities carrying out an economic activity, whether or not registered for VAT purposes, and self-employed persons, if they are registered for VAT purposes.

The amounts in the special VAT account can be used to pay VAT to suppliers and the State budget VAT obligations. It can also be used to finance other taxpayer needs, but only after the tax administration's express authorization is obtained. The special VAT account can be foreclosed exclusively for the

payment of VAT due to the State budget, as well as for the payment of other outstanding budgetary obligations.

As expected, severe punishments are provided for a number of infringements, such as fines of 50% of the amount paid to the wrong account of the supplier (*i.e.*, an account other than the VAT account), if the error is not corrected within 30 days, as well as a fine of over 50% of the amount within the VAT account if it is used in a manner other than that provided for by the Ordinance.

To date very few companies have opted for the split VAT system. In addition, the Government has indicated that it may amend the Ordinance by making splitting mandatory only for public institutions, insolvent companies, and companies with a record of bad VAT behavior (*e.g.*, making late or no payments).

These proposals are meant to temper the loud criticism of the business environment, which has objected strenuously to the short period before implementation and the additional costs required for implementation for both tax authorities and taxpayers, all required to adapt their IT systems and payment processes accordingly.

In this respect, it is worth recalling the evolution over time of two other fiscal measures adopted to combat VAT-related evasion. In their initial version, the measures were abused by the tax authorities, and eventually became the subject of an infringement procedure against Romania and significant litigation, including one case that reached the European Court



## PERSPECTIVES IN FISCAL LITIGATION IN ROMANIA



Marius Ezer

A number of modifications to Romanian fiscal legislation implemented on January 1, 2016, have had significant effects on both taxpayers and competent authorities. The most important of these modifications target the transfer pricing policies and the VAT payment mechanism and have had a direct effect on

fiscal litigations.

The recent modifications implemented on January 1, 2016 through Romanian NAFAs President Order no. 442/2016 (the "Order") have generated real controversy and heated debates over the application of new provisions involving the content and interpretation of the mandatory transfer pricing file for all taxpayers who deal with affiliated parties.

With the Order's entry into force, the content of the transfer pricing file became more complex as additional information was required, such as the description of the function, the risks undertaken, and the assets used in the process, which contribute significantly to creating added value for the participant entities.

The Order also adds an exclusive procedure for the estimation and adjustment of transfer pricing. In addition, a new territorial criterion will be used for comparability studies (in the following order: national, EU, pan-European, and international).

The entry into force of the new Order triggered important debates concerning its applicability and interpretation, and the Courts of Law that adjudicate fiscal disputes involving transfer pricing have not yet established the benchmarks that would facilitate a unitary case law.

The main open points still under debate from this perspective relate to: (a) the applicability of the new Order to the transfer pricing files already in use by the taxpayers but not yet verified by the competent tax authorities; (b) the lack of a clear definition of the notion of an incomplete transfer pricing file; and (c) the situation of taxpayers who do not fall under the provisions of the Order but still have a legal obligation under general provisions to document the observance of the principle of respecting market value in their transactions.

Litigation arising after the entry into force of the Order has presented a new set of problems to the courts, as parties face incomplete legislation that nonetheless has significant implications to their fiscal duties and obligations.

The analysis of the findings of the fiscal authorities and the review by the courts of their calculations and interpretations of the fiscal regulations adds even greater complexity to the

of Justice.

The first of these measures concerned the cancellation of the right to deduct VAT in purchases from entities declared inactive. In order to conclude the infringement procedure, as of January 1, 2017, the tax authorities were required to replace the cancellation sanction with the suspension of the right of deduction for the period during which the supplier had the canceled VAT code, including as a consequence of its inactivity.

Another approach to tackling VAT evasion was a non-transparent and complicated methodology for VAT registration. This measure was amended several times and a positive turnaround was made in terms of transparency and reducing bureaucracy. As a result, registration for VAT purposes got easier for honest tax payers on October 1, 2017, following the implementation of the minimum score system, based on the assessment of the administrators/associates/shareholders' history in relation to tax authorities, as well as the analysis of certain company-specific criteria.

Hence, although it is clear at present that the tax authorities wish to maintain the split VAT system, the current version should be adjusted to ensure that its enforcement has only minimal effect on law abiding taxpayers. Once this goal is attained, undertakings should recognize the beneficial outcomes the fight against tax evasion may bring to the business environment.

**By Felix Tapai, Tax Partner, Maravela & Asociatii**

technical appraisal of the results of the fiscal inspections.

A considerable number of challenges have been brought before the courts in the last 12 months involving taxpayers contesting the technical interpretations of the fiscal authorities. In most cases, a complete analysis of the situation would involve court-appointed fiscal experts in order to clarify the calculations and technical applicability of the norms set out in the Order.

One of the most difficult points requiring the analysis of the courts is the definition and acceptance of “comparables” when analyzing market studies, as there are cases where a simple refusal to recognize as comparable an offer present on the market could lead to significant changes in the calculation of the comparable market value for a certain range of products or services.

Such cases warrant an integrated approach and require combining the expertise of fiscal experts with that of specialized lawyers in order to provide a complete and correct answer to all legal interpretations and accurate technical verifications of the formulas used to calculate adjustments from the comparability studies.

Given the complexity of the regulation and the lack of uniform interpretation of the legal provisions, we expect that there will be further modifications of the relevant legal provisions based on the case law of the courts as well as on the recommendations expected to be established at the EU level in the near future.

**By Marius Ezer, Partner,  
Nestor Nestor Diculescu Kingston Petersen**

## NEW REGULATION REGARDING THE RECEPTION OF CONSTRUCTION PROJECTS IN ROMANIA



Sergiu Gidei

On July 29, 2017, a new regulation regarding the reception of construction projects (the “New Regulation”) was enacted by means of Government Decision no. 343/2017. The New Regulation, which replaced the former procedure (which was regulated by Government Decision no. 273/1994) in its entirety, provides a number of notable changes impacting the real estate and construction industry in Romania.

One of these major changes involves the composition of the commission for reception upon finalization of construction projects, which gives an increased role and power to Romanian public authorities. The new procedure requires that in

certain projects – in fact, a significant percentage of big and medium-size real estate projects – certain public authorities (such as the State Authority for Constructions, the Emergency Situations Authority, the County Department for Culture, *etc.*) be members of the reception commission. Moreover, the New Regulation provides a veto right to certain public authorities which are members of the commission, meaning that in fact no reception of the finalization of projects can be accepted if any of those authorities object to it.

Another important change is that under the New Regulation it is no longer possible to accept the projects with objections regarding defects and irregularities ascertained during the reception process. Before the New Regulation it was common practice to accept construction projects with objections, provided that the defects/irregularities could be remedied and did not impede completion of any essential construction requirements, which allowed the investor to continue all other formalities for rendering the construction operational (*e.g.* registering with the Land Registry, obtaining operational permits, and so on) in parallel with the remedial work. However, this practice is no longer possible and the investor will be obliged first to remedy the defects and irregularities and to successfully finalize the reception before completing all other formalities for rendering the project operational.

On the other hand, the New Regulation allows the reception commission to suspend the reception process for a limited period of time (90 days as a rule, with another 90 days possible in exceptional cases) so that the defects and irregularities can be remedied.

The New Regulation also significantly enlarges the scope of projects upon which the reception commission can reject the finalization of projects (like for a failure to observe the requirements for fire prevention approval, failure to remedy defects during the suspension period, or failure to follow the terms of the construction authorization).

The New Regulation expressly forbids the use of any construction projects for which reception upon finalization is rejected. In such cases, the only option available to investors is to preserve the construction projects until the defects and irregularities are remedied.

Certain important changes were also made to the final reception of the construction projects after the expiration of the warranty period. The New Regulation provides similar principles here as for reception upon finalization of the projects, most notably involving the possibility of suspending the final reception, as well as prohibitions against the use of a construction project for which final reception was rejected.

As a general conclusion, the New Regulation provides a number of sound changes to the reception procedure of construction projects, which have in many cases a major impact on

the construction and operation of real estate assets. Due to the exclusion of an “intermediary” reception option (*i.e.* reception with objections) and the involvement of an increased number of public authorities in the reception process (*i.e.* with a veto right), in practice the reception procedure may become more cumbersome and time-consuming and less predictable in terms of planning the opening date of real estate projects. The main actors involved in the construction and real estate industry – including investors, financiers and contractors – as well as those who occupy or use real estate assets should pay more attention to the reception part of the project and carefully assess all implications of the reception process, including the legal implications resulting therefrom.

**By Sergiu Gidei, Partner,  
CEE Attorneys - Boanta, Gidei & Asociatii Law Firm**

## DATA PRIVACY: FACING THE GDPR CHALLENGE IN ROMANIA



Roxana Ionescu

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**By Roxana Ionescu, Partner,  
Nestor Nestor Diculescu Kingston Petersen**



# EXPAT ON THE MARKET: INTERVIEW WITH BRUNO LEROY OF LEROY SI ASOCIATII

**French lawyer Bruno Leroy is the Founding Partner of the highly-regarded Leroy si Asociatii law firm in Bucharest. Leroy, who is a member of the Paris and Bucharest Bar Associations, has been working in Romania for almost twenty years, specializing in M&A and real estate transactions and on sensitive European law and competition matters.**

**CEELM:** Run us through your background, and how you ended up in your current role.

**B.L.:** I started my career in Paris, in 1994 after becoming a member of the Paris Bar Association, working for the renowned international law firm Gide Loyrette Nouel. After four years, I was asked if I would be interested in relocating to become Head of the Bucharest office of Gide Loyrette Nouel as the firm was expanding its presence in South East Europe.

At the time, I didn't know much about Bucharest or Romania, but I must admit I was curious. The first step was to take a trip and see exactly what I was dealing with, and to my surprise I fell in love immediately with the people, the country, and the culture. Bucharest and Romania

were going through major changes in 1998 and the business environment was thriving. It was the right place to be and the right time.

Over the years, I have advised on the most significant projects in Romania, including headline M&A and real-estate transactions and sensitive European law and competition matters, and I have worked with large European Groups on the privatization of Romanian state-owned companies.

In 2004 I was named Partner and continued to lead the Romanian Gide team until 2014, when, together with my Partner Andreea Toma, I took over the office and created Leroy si Asociatii.

**CEELM:** Was it always your goal to work abroad?

**B.L.:** I can't really say that my goal was to work abroad but when I received the offer to move to Bucharest, my wife and I immediately accepted it and saw it as an opportunity to discover a new culture and a new environment, which was very exciting.

**CEELM:** Tell us briefly about your practice, and how you built it up over the years.

**B.L.:** Over the years we have witnessed constant growth, both in our customer portfolio and in our level of fees.

The early 2000s were booming years for the Romanian market, a period of restructuring and constant development. Back then we were mostly advising French clients, as a result of our origins, but in recent years and since Leroy si Asociatii's inception in February 2014 our practice has continued to grow at a fast pace, and we have strengthened our relationships with our clients while at the same time growing our new business. Now we are proud to say that we have clients from all over the world, including Germany, Italy, the UK, Turkey, and the USA.





M&A, Banking/Finance, Competition, Distribution and Consumer Law, and Energy are the top sectors in our business. We also advise on Real Estate, Intellectual Property & Data Protection, Employment, Dispute Resolution, Projects & Infrastructure, and Insurance & Aviation. Over the years, we have been involved in some of the largest national and multi-jurisdictional deals and projects and we are renowned for our unique understanding and knowledge of the Romanian legal marketplace.

As a result of our constant growth we started 2017 with the announcement of two new partners, Cristina Togan and Eleonora Udroi, who are highly recognized lawyers with extensive experience in business law.

**CEELM:** What do your clients appreciate most about you?

**B.L.:** My fees! More seriously, I believe they value the fact that I am available and receptive and that I thrive in my discipline without any sort of arrogance. They also appreciate my involvement in any issues I'm dealing with or with any case I'm working on.

Plus, our dedication as a team to delivering excellent legal advice, our attention to each and every detail, our proactive ways, and of course our innovative thinking. Next to that we have always built relationships with our clients, focusing on a partnership and on an ongoing connection rather than on isolated projects.

I consider most of my clients my friends and I value them as both individuals and professionals.

**CEELM:** Why do you think your personality and skill set has fit in so well in Romania? How have you succeeded in Romania as a foreign lawyer, when so many others have not?

**B.L.:** I consider myself as an open-minded person with strong communication skills and with the ability to respond quickly to changing circumstances while at the same time dealing with people from different backgrounds. This has certainly helped me to settling in much easier in Romania.

I was greeted with open arms from both a personal and a professional perspective.

**CEELM:** If your long-term clients were asked to describe your personality, how would they do so?

**B.L.:** I believe (and hope!) they would describe me as loyal, hardworking and humble.

Also, I would like to think they would also describe me as a friend, as I have mentioned before, as I value greatly the relationships we have with our clients, thus my constant effort to deliver excellent legal advice. And of course every business relationship is based on a personal one as well.

**CEELM:** There are obviously many differences between the Romanian and French judicial systems and legal markets. What differences stand out the most?

**B.L.:** Both systems are actually quite similar, especially in regard of the civil code and EU law compliance. The real differences mainly lies behind the history of



Bruno Leroy

the country and the still weak jurisprudence level in Romania.

**CEELM:** How about the cultures? What differences strike you as most resonant and significant?

**B.L.:** It's true that both cultures are different and both have their particularities – although both are Latin. I would say that Romanian people are extremely open-minded and welcoming whereas French people are slightly more difficult to approach and share with.

A huge difference in my opinion is how both cultures deal with success and recognition. In Romania, people who succeed are highly recognized and appreciated for what they've done and can be proud of their achievements. In France, however, people are afraid to talk about their success and might even feel ashamed of it. This has nothing to do with the fact of remaining humble, which I think is very important. There is just a lot of judgment going on in France, and this is not a principle with which I identify.

**CEELM:** Outside of Romania, which CEE country do you enjoy visiting the most, and why?

**B.L.:** For business purposes, I would say Bulgaria. Otherwise, I would definitely visit Slovenia in order to spend some quality time in the mountains.

David Stuckey

# EXPERTS REVIEW: TAX

**“Nothing is certain except death and taxes,” goes the saying, although, in recent years, my favorite team’s inevitable defeat at the hands of its arch-rival appears to come close.**

**In any event, the subject of Experts Review this time around is Tax, and the articles are presented in order of national 2017 corporate tax rate. Thus, the article from Greece – which has the dubious honor of the highest corporate tax rate in the region – comes first, the article from Hungary, which has only a 9% corporate tax rate (a significant change from its 19% rate in 2016), comes last.**

**The global average, by the way, because we know you care, is 24.25%, and the European average is 19.54%.**

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## GREECE

**Quasi-Judicial Tax Recourse: Saving Time (and Money) in Disputes with Tax Authorities**

Panagiotis Drakopoulos

Almost four years ago, under pressure from its European partners and the IMF exercised by means of economic adjustment programs and loan agreements broadly known as “memoranda,” the Greek State adopted a new tax procedural code. The main aim of the Greek Government in

adopting the new code was – in a bet against all odds – to apply a more efficient tax implementation regime. Traditionally, tackling tax evasion had been a dead end; pre-election statements made by the various governments against professional tax evaders were not followed by substantial actions, and therefore the fiscal gap in the state budget grew in geometric proportion. In any case, the need for tax collection cannot just echo as “wishful thinking,” since effective tax collection mechanisms are imperative for the viable function of the state. In this context, the legal regime adopted into Greek reality seemed represent the *ultimum refugium*.

By virtue of L. 4174/2013 (the “Tax Procedure Code”), a new, more flexible, and agile tax imposition scheme was adopted, which provides for: (a) a vast number of tax audits to be conducted on a “fast track” basis; (b) the implementation and incorporation of new technologies into fiscal mechanisms; and (c) turning the tackling of tax evasion once and for all into a first page note on the political agenda.

However, even a new Tax Procedure Code cannot keep audit reports from occasionally being incorrect and tax payers occasionally being threatened with major penalties even where it is evident that no tax violation has been committed. Thus, the Greek legislator chose to introduce a quick and in-depth re-examination of audit reports in the form of a “quasi-judicial” recourse as a counter-balance to the new taxation process, with the added benefit that the constitution of an out-of-court tribunal with extensive authority would facilitate the decongestion of cramped Administrative Courts, where, at the moment, judicial review of tax imposing acts usually occurs almost five years after submission.

The “quasi-judicial” regime was introduced by virtue of art. 63 of the Tax Procedure Code, which states that each taxpayer who wants to challenge an act or omission of the tax authorities shall be entitled to file a claim before the authority which issued (or failed to issue, as the case may be) the relevant act. Subsequently and by virtue of authorization transferred to the Governor of the Independent Public Revenues Authority, circular No. 1064

/27.4.2017 was issued, describing the process by which the right to file the claim is to be exercised. The “quasi-judicial” claim must be filed within 30 days from the date the taxpayer is notified of the relevant act. The competent authority to hear the recourse is the Directorate for the Resolution of Tax Disputes, a quasi-judicial body with full power to modify or even fully annul the challenged act. Its decision must be issued within 120 days of filing; otherwise it shall be regarded as tacitly rejected. What is more, the claim is a precondition for filing a judicial action at a later stage, since direct challenge before an administrative court is forbidden. Filing the quasi-judicial claim suspends payment of 50% of the imposed tax and penalties. However, the applicant is free to file a full tax imposition suspension application with the same authority.



Evangelos Margaritis

Recent experience shows that this new regime has rectified many irregularities of the previous tax imposition scheme. At no cost (apart from legal fees, in cases where taxpayers are represented by lawyers), anyone can ask to have his or her tax case reexamined. As the Directorate has extensive power to investigate the accuracy of the audit reports, to ask for complimentary evidence and with complete transparency, the “quasi-judicial” regime must be praised as an important development in Greek Administrative Law. As tight time frames are set for the issuance of final decisions, parties can expect that their cases will be heard and resolved within a short period of time, while still reserving their right to bring a judicial action. In addition, the introduction of the new tax recourse regime seems very appealing to prospective investors who are confident that any dispute against the Greek State on tax issues will be resolved in a timely manner – providing at least one more reason why they should invest in Greece.

Panagiotis Drakopoulos, Senior Partner,  
and Evangelos Margaritis, Senior Associate, Drakopoulos

## AUSTRIA

**Recent Developments in Austrian Tax Law**

Michaela Petritz-Klar

**Increase in R&D Premium**

The R&D premium, which is currently set at 12%, is a form of state aid available to taxpayers carrying out research and experimental development. On January 1, 2018, the R&D premium will be increased to 14%.

The premium applies to any R&D activities pursued in Austria by an Austrian entity or by the Austrian permanent establishment (PE) of a non-Austrian entity, as well as to contract R&D activities of an EU/EEA researching entity that is not related to the principle. As defined by the Frascati Manual, eligible R&D activities are: (i) fundamental research, (ii) applied research, and (iii) experimental development.

Other than in contract research scenarios, an annual opinion of the Austrian Research Funding Commission on the eligibility of the research activities is required.

The R&D premium covers: (i) salaries and remuneration paid to self-employed researchers; (ii) direct expenses and investments for R&D; and (iii) fixed costs (and financing expenses if directly attributable to R&D activities).

The R&D premium takes the form of a tax credit which is directly credited to the taxpayer's tax account. Therefore, the premium does not lead to taxable revenues; *i.e.*, it is tax neutral. The R&D premium for contract research is limited to annual expenses of EUR 1 million.

### Digital PE

The current definition of a PE in the OECD Model Tax Convention requires the physical presence of the taxpayer – for example, by way of a fixed place of business or at least the physical presence of a dependent agent in the source state. Without this physical presence, the source state may currently not claim any taxation right for profits realized within the jurisdiction.

This concept is not suitable for the digital economy (*e.g.*, online stores, software app development, and so on) where hardly any physical presence in the state in which the customer is resident is needed. Therefore, many companies engaged in the digital economy will not be subject to income taxation in a number of states despite achieving substantial turnovers and having significant customer bases there. If such entities are also domiciled in a low taxation/no taxation state, double non-taxation may occur.

In light of media coverage in the last couple of years on the tax structures of large multinational companies, the OECD addressed the difficulties related to collecting tax from companies in the digital economy in its BEPS report, and there is an ongoing discussion in Austria about how to deal with these challenges as well. One alternative being discussed is the introduction of a significant presence permanent establishment. In this scenario, data related to turnover or customers – or a combination of the two – may be introduced as criteria for constituting a PE in the source state, irrespective of any physical presence. As a result, the profit attribution to the PE will become more complex, given that the current approach – which predominately considers business' significant people as the relevant criterion for attributing profits – will no longer fully apply to these scenarios. Al-

ternatively, the state may consider introducing withholding taxes on fees paid for these services or introducing an equalization levy on turnovers. Based on statements of the Austrian Ministry of Finance, taxing the digital PE will be one of the main targets to be pursued during Austria's EC Council Presidency in the second half of 2018.

### BEPS Implications – Interest Barrier Rule

Pursuant to the EC Anti-BEPS Directive, interest barrier rules are to be introduced on or before Dec 31, 2018. These rules are aimed at restricting the deductibility of net interest with a maximum amount of EUR 3 million or an amount corresponding to 30% of the company's EBITDA.

In fact, back in 2014 Austria introduced a restriction on the deductibility of intra-group interest and royalty payments. This non-deductibility applies to any intra-group payments of royalties and interest where the recipient's income is subject to a taxation of below 10%. The low/no taxation applies where: (i) there is an exemption in person or in kind on the level of the recipient; (ii) the nominal tax rate is less than 10%; (iii) the effective tax liability is less than 10%; or (iv) there is a tax benefit by way of a refund to the company or its shareholders resulting in an effective tax liability of less than 10% of the income. These domestic rules can be maintained until the end of 2023.

*Michaela Petritz-Klar, Partner and CEE Head of Tax,  
Taylor Wessing Vienna*

## SLOVAKIA

### Proposal for Temporary Approach to Taxation of Virtual Currencies in Slovakia



Peter Varga

In 2008 Satoshi Nakamoto published a white-paper outlining electronic cash peer-to-peer transactions known as Bitcoin, the first virtual currency based on a technology known as blockchain. Virtual currencies present a new digital asset class that is still in a grey area in terms of defining the actual asset. This creates difficulties and uncertainty in the area of taxation of profits arising from the owning, holding, or disposing of the given assets.

### Unbundling the Term

Blockchain is a distributed ledger technology for peer-to-peer transactions using decentralized storage of transaction data. This has been proposed as a viable alternative for trusted transaction mechanisms and promises efficiency gains such as faster processes, safe execution, and records immutability, and the advantages of no central point of failure. Market capitalization of

virtual currencies has skyrocketed in recent months from below USD 10 billion to above USD 150 billion.

Broadly speaking, there are generally two types of virtual currencies: (1) Cryptocurrencies, including digital assets such as Bitcoin or Litecoin, representing an autonomous monetary regime of digital currencies in which encryption techniques are used to regulate the generation of units of currency and verify the transactions of funds; and (2) Utility tokens, representing a license to use a particular service, which work as an essential element of a self-sustaining system acting as a common good such as Ethereum.

### Virtual Currencies and Tax in Practice



Mattia Gagliardi

From a legal perspective, transactions based on blockchain can be classified as property, barter, currency, or a financial instrument. Although the value of virtual currencies can increase over time, because of their unclear classification and varying characteristics and uses there is no answer on taxation of capital gains arising

from their disposal. Any objective increase in the value of assets in realization generally triggers capital gain tax under Slovak law. In case of exit taxes, a tax is even imposed on gains deemed to have arisen on assets that were transferred to another jurisdiction due to change of tax residency, although there is no realization of capital gain. It follows from this that a taxable event should occur.

If a capital gain tax is applicable, how is the tax base calculated when the value cannot be effectively measured in traditional currency? Is virtual currency a security? Would a loss from such a transaction be included into the tax base of a taxpayer? Is the deemed income from the disposal of virtual currency considered ordinary income or capital gain? Is trading with virtual currencies an entrepreneurship? If there is a cross-border aspect, where is the source of income? Which country has taxing rights? Should a tax be imposed only on a factual disposal of the virtual currency or even in cases of latent gain? In the absence of harmonization, how would a regulator avoid the risk of juridical double taxation?

Given these many technical considerations, there are some reasons to believe that scrutinizing gains from blockchain transactions would not be in line with the principle of legal certainty, which is embodied in the very first article of the Slovak constitution and is common in EU jurisprudence. It is a fundamental principle, which requires that legal provisions be clear and precise and that the way in which certain economic relationships are governed be foreseeable.

There are also practical challenges, as disposal of the digital as-

set is hardly trackable, especially if there is no exit from the digital area. In the absence of a global platform on automatic exchange of information, it appears quite unlikely that Slovak administrators would be active in engaging treaty partners with the aim to receive data about customer account information from platforms such as Coinbase, Kraken, *etc.* Also, the existence of decentralized exchanges such as EtherDelta with no third-party administrator minimizes the ability to conduct compliance.

### Temporary Solution and Learning Curve

In the current environment it could be reasonably argued that potential capital gains arising from disposal of virtual currencies should not trigger any taxation until regulators reach a full understanding of the underlying complexities associated with this emerging asset class. In this respect, we encourage regulators reaching out to experts in the field to accelerate their learning curve, as virtual currencies may become commonly used for tax evasion or money laundering.

*Peter Varga, CEO, Carpathian Advisory Group,  
and Mattia Gagliardi, Co-Founder, Scytale Ventures*

## CROATIA

### Tax Effects of Unfair Trading



Tamara Jelic Kazic

Unfair trading is often referred to as the cause of crisis in various sectors, holding down small and medium enterprises. In practice, unfair trading is sometimes improperly confused with predatory pricing or distortion of competition. Unfair trading may also trigger serious tax implications.

### The Commerce Act: Unfair Trading

Selling below competitors' prices is not forbidden per se. Lower prices can encourage competition and, of course, benefit consumers.

However, under Croatia's Commerce Act, selling below cost plus VAT is considered unfair trading. Exceptions include when goods are sold close to their expiration date, are being withdrawn from assortment, or are sold as part of an ultimate sale when closing the store or as part of a company's bankruptcy and liquidation, along with other fair reasons for selling below cost that do not result in the prevention, limitation, or distortion of competition. What constitutes a "fair" reason is decided by the audit authorities, so



Marija Zrno

one may question the equal treatment of all market participants.

The Commerce Act also refers to “competition,” so unfair trading matters are sometimes mistakenly brought before the Competition Agency. Ultimately, however, breaches of the Commerce Act fall within the inspectorate of the Ministry of Finance, and do not fall within the authority of the Competition Agency.

### The Competition Act: Predatory Prices

Predatory prices, which are used to abuse an undertaking’s dominant position on the market, consist of selling products temporarily below their cost to squeeze-out a competitor or prevent it entry to the market, only to raise them afterwards.

For the Competition Agency to determine that an infringement of the Competition Act has occurred, the allegedly-predatory pricing strategy must include an undertaking’s dominant market position and market power strong enough to act independently of competitors and consumers.

### Damage Claims

Indemnity claims for damages due to unfair trading or a competitor’s abuse of its dominant position should be addressed to the Court.

### Tax Implications of Unfair Trading

Unfair trading is investigated and punished by the Ministry of Finance inspectorate. Practice has shown that its control may also take the form of significant transfer-pricing (tax) assessments.

Transfer pricing generally refers to prices and conditions of transactions within multinational groups, which should be in line with market prices and conditions. This is primarily a tax problem because of the risk that a multinational group may use transfer prices to decrease its tax base in one jurisdiction or to move profit from one jurisdiction to another.

Since trading in a multinational group is regulated by an internal pricing policy, whether a company is part of a group is one of the factors considered when analyzing potentially unfair trading. This may require further analysis of transfer prices applied in group transactions, resulting in additional tax assessments. In short, if the inspectors determine that trading was unfair and that prices applied in related party transactions are not in line with the arm’s length principle, they will adjust the undertaking’s tax base. This is usually done by increasing the tax base on the conclusion that the costs of goods/services were too high and/or that the selling prices were too low.

Transfer pricing analysis and conclusions of unfair trading may also result in adjustments to prices in non-related party transactions. If, for example, inspectors find that an undertaking operates at a net margin lower than the average competitors’ net margin and conclude that this is because of intra-group transac-

tions preceding the transaction with unrelated parties, they may adjust the undertaking’s tax base to bring it into line with the level of its competitors.

These sanctions usually ignore other reasons for selling goods below cost (including VAT), such as enhancing entry to the market or selling “accessory” articles to improve sales of the main product, although, as such reasons do not in any way prevent, limit, or distort competition, they do not represent unfair trading.

In practice, undertakings that continuously make losses and have tax losses carried forward are likely to be subject to unfair trading control and transfer prices analysis.

Once in the authorities’ cross-hairs, undertakings may expect to face long and uncertain administrative procedures. Tax matters are finally resolved by Administrative courts, where procedures regularly last between three and four years. The levied tax obligations are generally payable before the court procedure – *i.e.*, based on the final tax resolution.

To conclude, unfair trading is a threat to market and consumer trust and undertakings which are judged to be trading unfairly expose themselves to significant fines and tax audits. The rules on unfair trading should therefore be taken seriously and companies should review prevention measures carefully and regularly.

*Tamara Jelic Kazic, Partner, and Marija Zrno, Attorney-at-Law,  
CMS Zagreb*

## ESTONIA

### Simplified Entrepreneurial Income Taxation Act Creates a New and Innovative Taxation Option in Estonia



Annika Vait

On January 1, 2018, a new taxation act will enter into force in Estonia – the Entrepreneurial Income Simplified Taxation Act (hereinafter the “Act”). From an IT point of view, the Act will create a new and innovative automatic mechanism for natural persons in the calculation and payment of taxes. The main concept of the

Act is that natural persons can set up an entrepreneurial income bank account, where the taxation amount is calculated automatically and transferred to the Tax Authority without the natural person having to physically make or authorize any transfers. However, use of this new account may be limited in practice.

#### Positive Aspects

The Act will simplify all taxation procedures for natural persons

offering services or goods in their own name. They will not be obliged to hire accountants or maintain books, as everything will be done automatically.

How does it work? When a natural person provides services in his/her own name or sells goods, then he or she can open a specific account at a bank. Notably, the person should indicate that only the proceeds from his/her provision of services or sale of goods will be directed to that account.



Epp Lumitse

After opening that bank account the person will direct the same bank to inform the Tax Authority about the income in the account. The Tax Authority then will calculate the tax amount and the bank will transfer the appropriate amount directly to the Tax Authority. Thus, the natural person does not need to hire an account-

ant nor submit any tax declarations to the Tax Authority. The entire process of taxation is automatic and does not need extra input from the natural person. Even the transfer of the tax will be made automatically.

### The Downsides

While the concept, which is aimed at reducing administrative burdens, seems very convenient and attractive, the Act has some serious flaws as well.

First, the natural person is not entitled to deduct any costs involved in the provision of services or selling of goods. This makes it economically less attractive compared to other enterprise forms, where costs can be deducted from profits. According to the legislators, therefore, the Act may have a positive impact only for approximately 1200 natural persons.

Second, it will be available only to a small group of natural persons, as the tax rate is 20% if the services provided or goods sold do not exceed EUR 25,000. Where the supply is between 25,000 and 40,000 the tax rate is already 40%, and once the supply exceeds EUR 40,000 per calendar year the person is required to register as a company and to register as VAT-liable. Thus, the beneficiaries actually constitute a relatively small group.

Third, if there are mistaken transfers to the entrepreneurial income account, then these would still be automatically taken into account and taxes would be paid from these amounts. In order to get these mistaken amounts back, the person would need to go through the lengthy process of taxation inspection and prove to the Tax Authority that the amounts were paid in error.

Finally, one of the biggest downsides would be the fact that if the natural person is providing services to a legal person, then a risk of double taxation occurs.

All these elements may reduce the positive impact that the Act could have in the entrepreneurial activities of natural persons.

### Conclusion

The entrepreneurial tax account and the simplified taxation Act will simplify the calculation and declaration of taxes for natural persons who provide services or sell goods. From an IT point of view this is clearly a new, unique, and innovative option. At the same time, this concrete act contains many substantive downsides. Therefore we strongly suggest that before a person opts to create this account, he or she make sure that all the positive and negative aspects are weighed thoroughly in order to avoid any negative surprises.

*Annika Vait, Partner, and Epp Lumitse, Attorney at Law, Law Firm Alterna*

## RUSSIA

### Russian GAAR: Carrot, Stick, or Both?



Alexander Anichkin

The Russian tax landscape is going through a period of transformation. The average value of assessments as a result of tax audits is increasing and taxpayers are losing more disputes. Various changes to the tax laws have acted as a contributing factor. The introduction of the anti-abuse concept of “beneficial ownership” in

domestic legislation, the development of tax residency and CFC rules, and the enactment of new thin capitalization rules are just a few of the recent changes that are already having an impact on taxpayers in Russia.

The most controversial new legislative development was the introduction in July 2017 of a general anti-avoidance rule (GAAR). The GAAR is the result of almost three years of attempts to codify existing judicial anti-avoidance doctrines. The final, successful attempt, however, was made with lightning speed and practically no consultation with academics or legal practitioners.

As in many jurisdictions, especially those without a codified GAAR, Russian courts have developed their own approaches to situations where a taxpayer formally complies with the rules but gains an illegitimate tax advantage. The concepts of “bona fide taxpayer” and an “unjustified tax benefit” are based on a substance-over-form approach and use of the business purpose test to combat tax avoidance. These doctrines are not without their flaws: the shifting of the burden of proof to taxpayers and the formalistic application of these concepts against their spirit have resulted in many legal disputes. The concept of “due diligence” in particular, which shifts the risks associated with the underpayment of tax on a transaction to a buyer or seller that, according to the tax authorities, failed to establish that its coun-



ter-party validly existed and was in a position to actually supply, has become a major problem for Russian taxpayers. But after more than a decade of continuous application and improvements led by the country's highest courts, these concepts have been polished to the point that they are now broadly accepted.



Dmitry Tolkachev

The GAAR has two major elements. First, it contains a general prohibition against utilizing tax deductions or decreasing the amount of tax payable if done by incorrectly reflecting transactions in taxpayer accounts. This rule is designed to combat artificial arrangements and, according to the clarifications issued by the tax authorities, requires that the taxpayer's intent be established. Secondly, for tax benefits to be lawfully utilized, the GAAR requires that: (i) the tax benefits should not be the principal purpose of the transaction, and (ii) the counter-party's obligation under the transaction be performed by that counter-party or by a person to whom the obligation has been lawfully transferred.

Leaving drafting concerns aside, one can conclude that the new GAAR uses a combination of the partly codified "unjustified tax benefit" doctrine, the principal purpose test, and the requirement that the transaction be "real." This combination can be found in existing judicial doctrines, yet the GAAR is not structured in a way that precludes their application in future.

While we see some positive aspects to the GAAR, such as the possibility of retrospective application of the limitations set by the rule on the tax authorities and the use of the principal purpose test, our main concern is that the GAAR is not flexible enough to take into account all circumstances of a given case and uses quite restrictive language. The latter has already led the tax authorities to issue clarifications rejecting the practice of so-called "tax reconstruction," which allows for the utilization of benefits based on the substance of a transaction even if its form is challenged, and which had generally been accepted by the courts in recent years. The GAAR, as currently interpreted, precludes the possibility of tax reconstruction and, therefore, puts taxpayers in a worse position compared to judicial doctrines.

Legislators have claimed that the GAAR is meant to increase legal certainty by eliminating the use of subjective categories. It may indeed help taxpayers in a limited range of cases where the tax authorities abusively apply doctrines, which often happens with the "due diligence" concept, for example. However, the vague wording of the GAAR and the fact that, objectively speaking, inherently flexible doctrines defy codification mean that ultimately the GAAR and the doctrines will likely be applied simultaneously in relation to taxpayers. This means that taxpayers should pay much more attention to preparing evidence beforehand that certain transactions have their own legit-

imate business purpose and are not concluded merely to obtain a tax benefit.

*Alexander Anichkin, Partner, and  
Dmitry Tolkachev, Senior Associate, Clifford Chance*

## TURKEY

### The Country by Country Report and Its Effect on Turkish Tax Legislation



Ersin Nazali

Reporting standards implemented within the frame of work conducted by the Organization for Economic Cooperation and Development (OECD) for the prevention of base erosion and profit shifting has increased the reporting obligations of multinational enterprises (MNEs). The Country by Country report (CbCR) – one of the three different reporting standards regulated by the OECD's 13rd Action Plan – is required to be submitted to the tax authorities for the first time. This report, which is to be prepared by an MNE's "Ultimate Parent Company," may be included in the exchange of information between tax administrations in accordance with the "Multilateral Competent Authority Agreement on the Exchange of CbCRs." The place and scope of the CbCR, both in international regulations and Turkish tax legislation, is worth review.

#### CbCR and Exchange of Information



Ersin Nazali

According to the OECD's 13rd Action Plan, enterprises are considered a constituent part of MNE groups. An MNE group, which is a body of related entities, has an "ultimate parent entity," which in turn is the "reporting entity" required to submit the CbCR to its relevant tax authority. As an exception to this general rule, secondary mechanisms would be accepted as appropriate (either in the form of local filing or through filing of the CbCR by a designated member of the MNE group acting in place of the ultimate parent entity), where: (i) no CbCR is required by the laws of the country where the ultimate parent is located; (ii) no competent authority agreement stipulating the exchange of information is concluded; or (iii) there is a failure to exchange the information in practice despite of the existence of a competent authority agreement. Although the CbCR is required to cover the full range of activities of all enterprises within the MNE group, including related entities located in other countries, the CbCR is submitted by the ultimate parent company solely to the state where it resides.

Multilateral instruments have been developed to provide for the international exchange of the report. For this purpose, the “Multilateral Convention on Mutual Administrative Assistance in Tax Matters” (the “Convention”) has been created. Since the Convention orders participants to agree on the scope and method of an automatic exchange of information, a “Multilateral Competent Authority Agreement on the Exchange of CbCRs” (the “Agreement”) has also been prepared. As of September 2017, it appears from a review of various OECD publications that the Convention has been joined by 113 jurisdictions, and the Agreement has 65 signatories.

### CbCR in Turkish Legislation

In Turkey, the CbCR has been codified by the “Draft General Communique on Disguised Profit Distribution through Transfer Pricing Serial No 3,” which requires ultimate parent companies which are resident of Turkey to submit the CbCR. In addition, Turkish resident group companies of MNEs are also required to submit the CbCR even where the ultimate parent is located abroad, if: (i) there isn’t any competent authority agreement between Turkey and the state where the ultimate parent resides; or (ii) the state where the ultimate parent resides has not adopted the regulations related to CbC reporting into its domestic legal system.

Turkey has not yet signed the Agreement, but its participation in the Convention shows its willingness to adopt multilateral instruments. Therefore, following the enforcement of the draft communique, it is anticipated that Turkey will accelerate the process of engaging with the Agreement.

### Summary

CbC reporting, which has been developed as a tool during the OECD’s BEPS-related studies, involves the exchange of information between countries regarding the amount of revenue, income tax paid, number of employees, stated capital, tangible assets, and so on, in each jurisdiction where group companies of a MNE group operate. Multilateral instruments have been developed in order to achieve this exchange. The Agreement, one of the multilateral instruments, which has been signed by 65 countries, has not been signed by Turkey yet since the standards continue to be adapted to local legislation. It is expected that Turkey will become a part of the CbCR automatic exchange regime with the draft communique entering into force.

*Ersin Nazali, Managing Partner,  
and Pinar Solyali, Tax Manager, Nazali Tax & Legal*



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## POLAND

### New Dimension of Taxation in Poland



Andrzej Posniak

The current government campaigned before the elections with the slogan “Plugging leaks in the tax system,” and it is now trying to achieve that goal by focusing its efforts on fighting harder against VAT fraud, counteracting aggressive tax optimization in income taxes, and increasing the effectiveness of tax audits.

Tax authorities, equipped with new competences, are fiercely tackling VAT fraud. The mechanism of split payments, which will enter into force in 2018, will be only one of many new fiscal administration weapons in this struggle. Under this scheme, which will only be used in B2B relationships, a purchaser will pay a sum corresponding to the net value of goods or services sold to the recipient’s current account, with a sum corresponding to the VAT amount transferred to a dedicated bank account. Use of this method will be voluntary – the purchaser will have to express willingness to use it. Taxpayers who choose this method of accounting will receive certain benefits, such as an exemption from the penal tax rate.

The Ministry of Finance is also developing ways to protect honest taxpayers, who, as a result of carelessness, have become involved in VAT “carousel” fraud and have been exposed to the possibility of losing the right to deduct input tax. To this end, consultations were held to determine the prerequisites of due diligence on the part of the buyer in domestic transactions. Any conduct consistent with these prerequisites will protect taxpayers from possible adverse consequences. The prerequisites of due diligence will probably take the form of a code of good practice.

As part of the fight against aggressive tax optimization, Poland has joined the Multilateral Instrument to Modify Bilateral Tax Treaties (MLI). As a result, 78 agreements that Poland has signed on the avoidance of double taxation may be amended. The most significant changes stipulated by the MLI include the elimination of companies’ double tax residency and the introduction of clauses that allow the refusal of artificially derived benefits under the provisions of individual treaties on the avoidance of double taxation. The MLI will enter into force at the earliest in 2018, after – in simple terms – three months following ratification by at least five signatory countries.

Taxpayers must prepare for changes introduced to the corporate income tax. The Ministry’s target group includes tax capital groups and controlled foreign corporations. At the end of June, the Ministry posted a number of warnings on its website that describe what conduct might be considered aggressive tax



Karol Kozłowski

optimization, including optimization with the use of a sale of key assets, exchange of shares, and the establishment of a tax capital group. The planned changes also include several other solutions which are beneficial for taxpayers. For example, the requirements for the establishment and operation of tax capital groups will be

liberalized.

At the beginning of March 2017 the organization of the tax administration changed radically. Audit officials also gained many new competences aimed at improving the audit process. Newly-established customs and tax offices will not have to wait seven days to begin an audit – they can start immediately following the delivery of authorization to a taxpayer. In return, the taxpayer has been granted the opportunity to correct its tax returns during the first 14 days of an audit and avoid any negative consequences. The Finance Ministry insists that the new tools that the officials have been given will not be abused, and that audits will be based on risk analysis, so that the actions of the customs and tax authorities will be precisely targeted at potential tax frauds.

In summary, changes to the Polish tax law are both global and local. Some of them result from the international obligations assumed by Poland, and some from decisions made at the state level. The local changes are consistent with the global trend of plugging leaks in tax systems and counteracting aggressive tax optimization. As this trend is likely to continue, the coming years should bring intensive development of legislation aimed at optimization practices. Taxpayers, who will have to face increasingly complex fiscal regulations, will certainly appreciate the comprehensive help of skilled and professional legal counsellors and tax advisors.

*Andrzej Posniak, Partner, and Karol Kozłowski, Tax Advisor, CMS Poland*

## BELARUS

### Tax Advisory Introduced: Belarus Tax Litigation is About to Become Competitive

#### Tax Advisory Regulatory Situation



Roman Shpakovsky

Historically Belarus has had a dual system of regulated legal services market, with one side populated by attorneys-at-law who served individuals and worked either individually or under the roof of territorial Bar Associations, and the other populated by licensed “business lawyers,” working both on their own and within law firms.

This latter group was limited to handling business-related matters and representing clients in commercial courts. Commercial tax advisory services were almost exclusive to business lawyers.

In 2011 business lawyers were banned from representing clients in court, and as a result, a considerable number of business lawyers switched groups, becoming attorneys, as semi-automatic transfer was allowed for lawyers with more than five years of experience. At the same time, a new law allowed attorneys to practice in a more commercial way than before, like traditional partnerships. As a result, most law firms established attorney-at-law “bureaus” alongside their commercial licensed entities.

The accounting business is unregulated in Belarus, with voluntary insurance. Most accounting firms provide some bits of tax advice alongside their core business. As there is an understanding that there is a fine line between tax services and legal advice in the tax practice area, most accounting firms officially eschew formal confirmation of their tax related advice. The same is true for audit companies.

#### Recent Developments

However, starting from the end of 2017 a new type of advisory work will appear in Belarus: the tax advisory business. Such services will be provided by certified “tax advisors.”

Tax advisors will directly compete with attorneys in the tax advisory and litigation areas. Tax advisors may have both legal and economic backgrounds, and at least three years of experience in the field is required to be admitted to the qualification exams. Tax advisory is supposed to be a very personalized service, and the qualification is granted only on an individual level. Companies may provide tax advisory services if they employ tax advisors – and in such cases engagement letters and final documents are signed by the clients, the directors, and the tax advisors themselves.

From the regulatory point of view attorneys and business lawyers are not directly affected by the law introducing tax advisors, as both are still able to advise on tax matters, and attorneys are still able to represent clients in court. However, we expect that the influx of auditor and accounting firms (which will manage to add legal expertise to their offerings) will influence the position of established law firms.

#### Insurance

Liability insurance is obligatory for tax advisors. However, the minimal statutory amount is only around EUR 10,000, which is probably not enough for a substantial tax assignment. Top tax advisors probably will purchase more advanced coverage of at least EUR 100,000. It should be noted that insurance will only cover tax penalties, not any additional taxes assessed.

The corresponding insurance regulation is not adopted yet, but it should be of great interest to both tax advisors and their cli-

ents, as currently companies are unable to insure their tax position. However, if the insurance regulations and practice become too liberal, more aggressive tax planning will probably be employed by the tax advisors.

Surprisingly, insurance is not at the moment obligatory for attorneys or for business lawyers. We estimate that less than five percent of law firms have insured their professional liability. Thus could represent another competitive advantage for tax advisors.

### How the Market Will Change

These new regulations will open the tax advisory and litigation markets to auditors and accounting companies. Previously they were banned from directly representing clients in court and were not able to defend their tax position past administrative appeal. At the same time, business lawyers from law firms will be able to receive a tax advisor certificate and return to tax litigation, increasing their tax practice offerings.

Thus, the tax litigation area will be more open to competition. Most probably attorneys at law will gradually lose their market share, given their limited tax expertise. These developments will also result in a more active court practice related to tax matters and increased general interest of the business in the area. We expect that specialized tax advisory firms will appear, with a mix of accountants, auditors, and business lawyers providing these highly-specialized services.

In any case, we are certain that professional liability insurance for tax advice will revive the market, which are the moment still mostly relies on the in-house tax competences of accountants. In other words, more work will appear, even as more professionals will be allowed to compete for it.

*Roman Shpakovsky, Partner, Vilgerts*

## UKRAINE

### Transfer Pricing Disputes: The Coming Trend in Ukraine



Mykola Stetsenko

Ukraine revised transfer pricing rules and introduced new reporting and documentation requirements in 2013. Since then, the rules have been changed every year. And three years after the introduction of the new transfer pricing (TP) rules, we are witnessing an increasing wave of TP audits and the first TP disputes.

#### TP Audits

Ukraine's Tax Code provides broad grounds for TP audits, mak-

ing any company which has carried out controlled transactions potentially subject to one.

There are a number of protective provisions for taxpayers. In particular: (1) a general tax audit may not review TP matters; (2) a taxpayer may be subject to only one TP audit per year; and (3) matters which were already reviewed in a TP audit may not be re-opened (except in a limited number of cases).

Generally, TP audits are significantly less stressful for taxpayers than ordinary audits. They are monitored by the central office of the State Fiscal Service and consist of an exchange of documents and explanations. Therefore, even though the TP audit is significantly longer than general audits (up to 18 months compared to 25 business days), it is less intrusive for business.

#### TP Disputes

As mentioned above, a number of TP disputes have been reviewed by courts, most of which involved technical compliance issues. However, several disputes heard by the courts have involved actual TP adjustments, which have brought more clarity to TP rules and provisions.

#### Kernel-Trade

One such case involved Kernel-Trade – an exporter of sunflower oil based on forward contracts, some of which contained amended amount of supply and contract terms. Under the Tax Code, the arm's length nature of prices in forward contracts should be confirmed as of the date of the contract. The company confirmed arm's length nature of prices in its forward contracts as of the date of the initial contract and of the date of relevant amendments. The tax authorities argued that the company had to comply with the requirement that arm's length prices be confirmed only as of the date of initial contract, based on the literal reading of the law. The court of appeal cancelled the tax assessment and allowed a separate TP study for each amendment to the initial forward contract.

#### Grain Innovation Systems

In the Grain Innovations Systems case, the company was an exporter of grain and oilseeds. Tax authorities challenged the prices of export contract agreed-on between the company and its purchasers based on information in Ukrainian price monitoring media. However, the courts rejected the tax authorities' TP assessment for a number of reasons, including, in particular, the fact that the source of the information used by the tax authority did not specify the quality of the purchased goods, the basis of supply, or other material aspects of the transaction.

#### Sub-Threshold TP Disputes

Another sphere for disputes on TP matters is the purchase of goods or services from low-tax jurisdictions. Such transactions are subject to TP control only if the total value of transactions with a counter-party exceeds UAH 10 million (approximately



Vadim Medvedev

EUR 320,000). Where the amount of the transactions falls below that threshold, the taxpayer may deduct only 70 percent of its expenses on the purchase of goods or services in its tax accounts. The taxpayer may opt for voluntary TP control by confirming that the value of purchased goods or services was made at arm's length.

The issue with this is that an ordinary tax audit will control and review whether the taxpayer deducted only 30 percent of its expenses or the whole amount. As a result, in some cases, local tax authorities who are not able to verify whether the transactions were made at arms' length tend to disregard the taxpayer's request for voluntary TP control and require the 30 percent adjustment.

### Trend and Concern

There is a wave of TP disputes coming. Most already-initiated TP audits are still pending and it is highly likely that many of them will end up in additional TP assessments and adjustments. Such assessments in most instances will be challenged in court, which will require additional expertise in TP disputes.

Even in those substantial TP disputes which have already been completed, the courts have failed to pursue detailed functional analysis, review economic studies, or re-calculate prices or margins. The concern is that the temptation of the courts to delegate economic studies in TP disputes to economic experts will be too high and that the disputes will be ultimately reviewed by the expert instead of the court. So far, the courts have been reasonable in resorting to expert opinions and we hope they will continue in the same manner. Taxpayers in TP disputes should be reasonable in requesting expert opinions as well.

*Mykola Stetsenko, Managing Partner,  
and Vadim Medvedev, Counsel, Avellum*

## ROMANIA

### Romania's Tax Boiling Pot Spills Over

Keeping track with the (hundreds of) changes to the Romanian tax legislation has never been an easy endeavor. This year things have been taken to a whole new level, as fiscal predictability, scarce as it was before, has disappeared entirely.

These days Romania is holding its breath in anticipation of news regarding the tax measures which are expected to come into force on January 1, 2018. The failure of Romanian Government officials to promote a clear and consistent position keeps the business community and the public in limbo, as some of the proposed measures may significantly disrupt operational flows throughout the Romanian economy and impact the life of every Romanian.



Anamaria Tocaci

The changes to the fiscal legislation were included in Romania's governance program for 2017–2020 presented at the beginning of this summer and were designed to reduce taxation while improving collection to counter-balance any loss of revenue. The changes included: (i) a personal income tax system focused on household income rather than individual income, the implementation of which has since been postponed (indefinitely) because the Romanian authorities realized they did not have the necessary infrastructure to manage it; (ii) a 0% VAT rate for the sale of apartments, which was recently abandoned (most likely because it was incompatible with EU legislation); (iii) the replacement of the corporate income tax with a turnover tax for all Romanian companies, which was also abandoned as being contrary to EU legislation; and (iv) a solidarity tax, meant as a surcharge for individuals with high income, which was also abandoned because of a poor cost-benefit ratio.

That's not all. To improve VAT collection, which is currently the lowest in the EU, the Romanian Government has decided to change the country's VAT payment system by requiring companies to collect VAT charged on supplies in a special-purpose bank account that is distinct from their operational bank accounts, where only VAT-free amounts will continue to be cashed in. The input VAT incurred for acquisitions of goods or services would be paid from the same VAT account.

This mechanism's implementation is unique in the European Union, and affects all taxpayers registered for VAT purposes in Romania (both resident and non-resident). Despite numerous debates and significant criticism, the Romanian Government published legislation making the system optional from October 1, 2017 and mandatory as of January 1, 2018. Recently, contradictory opinions at the level of the Romanian Senate have provided some hope to the business environment that the split VAT payment system will remain optional and will become mandatory only for companies which are insolvent or which default on their VAT payments to the treasury. A final decision is still pending.

In the meantime, banks have adapted their products accordingly by opening the special VAT accounts, and a limited number of companies have even opted to be registered in the said system and are currently operating according to the new rules. It remains unclear how these companies will deal with leaving the system if they are no longer required by law to apply it.

Another change involves the consolidation of social contributions at the level of the employee. Social security charges in Romania are currently split between employer and employee, amounting to a total of 39.25%. The new system intends to consolidate all social charges at the level of the employee (*i.e.*,

they would be entirely withheld from the gross salary) while also reducing the overall percentage to 35% (according to estimates). Naturally this would significantly reduce net wages. To counter this loss of income for private individuals, Government officials have announced that a piece of legislation will be put in place to compel employers to increase gross wages. It remains unclear if this endeavor is possible or even legal.

Finally, personal income tax will be reduced from 16% to 10% as of January 2018.

Considering that all of these changes have been announced/re-nounced/published/postponed in less than one year, potential investors are thinking twice before doing business in Romania. Romanian and foreign investors alike are reluctant, and if the past is any indication of the future, we can expect a slow-down in investments, a postponement of transactions, a downward adjustment of growth projections and, overall, a stalling of the Romanian economy as a whole.

The silver lining? At least tax advisors will have reasons to stay awake at night processing tax legislation updates.

Anamaria Tocaci, Tax Manager, Schoenherr Bucharest

## LATVIA

### Latvia's Tax Reform on Its Way to Launch



Andra Rubene

The long-awaited tax reform has been finally approved by the Latvian parliament. Opposition to changes in such sensitive fields as taxes is inevitable, but it is clear now that the amendments to the country's tax code will come into effect on January 1, 2018.

Although several regulations related to the implementation of the amended tax laws are still on their way to adoption, the main principles and fundamental changes are clear enough to speak about with confidence.

The corporate income tax (CIT) law has been replaced *in toto*, and significant amendments to the personal income tax (PIT) and social security installment regulations constitute major transformations.

Although in general the country's current private individual and corporate taxation systems have worked acceptably, they have failed to bring enough benefit to the budget or satisfy the principles of equality and fairness. Accordingly, the new tax laws and regulations are progressive, meaning that those with high incomes will be taxed at a higher rate. The foreign investment attraction mantra has also not been forgotten, thus the changes in the code should also satisfy investors considering Latvia as a location for their businesses.

More specifically, unlike under the current regime, the application of the new CIT will be based on the so-called "cash-flow" taxation principle, which means that CIT will be payable only at the moment of profit distribution. Accordingly, as compared to the existing regulation, under which the 15% CIT shall be applied to



Rudolf Vilsons

the taxpayer's yearly taxable income, under the new regime the reinvested (undistributed) profit will not be subject to CIT. The CIT will become due only after the distribution of dividends at the 20% CIT rate. The changes mean that natural persons will no longer be obliged to pay PIT on dividends received. With respect to the distributions from the companies, the law lists several expenses that should also be treated as profit distribution, such as penalty payments, representation costs, and business non-related costs. Also, the loans issued to related parties (except the loans issued to the direct subsidiaries) under some circumstances will be deemed as profit distribution.

It is important to note that, whereas now CIT must be calculated and paid on an annual basis, under the new regime the tax for these distributions should be paid on a monthly basis, with an exemption of CIT calculated on transfer pricing and thin cap differences to be paid annually. This change is expected to add more work for company accountants dealing with CIT.

In addition, companies will be entitled to distribute the profit gained before 2018 without the new regime applying for an unlimited period of time, while a five-year transmission period is granted for the utilization of tax losses accumulated by the CIT payer before 2018.

The Latvian "Holding Tax" regime (which calls for no CIT on dividends gained and income received from the sale of shares by the holding), will be continued, under the condition that the shares have been held for three or more years.

Impressive changes have been made to the PIT Law as well. The current flat 23% PIT rate will be replaced by the so-called progressive tax rate, differentiated depending on the level of income. A 20% PIT will apply to annual incomes of up to EUR 20,000; 23% PIT will apply to incomes ranging between EUR 20,000 and EUR 50,000; and 31.4% PIT will apply to income over EUR 50,000. Dividends received by natural persons will be PIT-exempt (PIT is currently 10%) if the 20% CIT described above is paid on dividend distribution. Also, the PIT on capital income, including capital gains, will be taxed according to the flat 20% PIT rate.

The reform affects VAT as well, including the reduction of the registration threshold from EUR 50,000 to EUR 40,000. To fight VAT fraud, the list of the sectors where reverse VAT payment procedures are applied has been extended and now includes, for example, household electronics, construction ma-

terials, and metal products.

Although there are also some minor changes in other taxes, these changes are the most important. It is hoped that the goals set by the government for its tax reform will be achieved and the results will satisfy the majority of tax payers.

*Andra Rubene, Partner, and Rudolfs Vilsons, Associate,  
TGS Baltic Latvia*

## LITHUANIA

### Lithuanian Tax Environment: Green Light for Investment



Daina Senapediene

A favorable tax system is viewed as one of the most significant incentives for foreign investment in a given country. According to this year's World Bank's and PwC Paying Taxes study, Lithuania ranks 27th globally in terms of the ease of paying taxes. It is indeed a high standing, ahead of other CEE countries such as Romania, Poland, Slovakia, and Hungary. We dare say the ranking accurately reflects the efficient operation of Lithuania's tax system.

According to EUROSTAT indicators, Lithuania can be regarded as one of the fastest-growing economies in the EU, with GDP growth amounting to 4.1% (Q1 2017). No wonder that at the 5th Annual CEE Shared Services and Outsourcing Awards 2017, Vilnius was again recognized as the most dynamically developing city in the CEE region.

Having said that, let's take a glance at the tax incentives that Lithuanian tax system puts in place for businesses and investors.

#### Corporate Income Tax



Aleksandr Masalov

The standard rate of corporate income tax (CIT) in Lithuania is a flat 15%, which is one of the lowest rates in the EU. Furthermore, a number of important tax relief provisions reduce the overall CIT burden.

Small companies with fewer than ten employees and annual income less than EUR 300,000 can enjoy a reduced 5% CIT. The same reduced CIT rate is applicable to agricultural producers.

In addition, companies undertaking investment or R&D projects are currently entitled to multiple deductions of the eligible project-related costs, thus considerably reducing their taxable profit – and the Lithuanian Government is aiming to extend the application and scope of this relief. The Government is also

planning to introduce a reduced 5% CIT for income originating from patent commercialization projects.

#### Tax Incentives in Free Economic Zones

Significant tax benefits are offered to companies established within Lithuania's free economic zones (FEZs). At the moment, there are six FEZs in different Lithuanian cities, in which about 60 companies have been established. Most of those companies are harbored in the FEZs of Kaunas and Klaipeda, Lithuania's second and third largest cities.

Companies with capital investments established within a particular FEZ of at least EUR 1 million and with 75% of their income generated by activities in the FEZ become totally exempt from CIT for a period of six years, and during the subsequent ten years are subject to only 50% CIT rate (*i.e.*, 7.5%). In order to be eligible for the exemption, the FEZ-based company must engage in goods production, manufacturing, computer software development, storage facilities, or other defined activities. As of 2017, FEZ-based companies engaged in accounting, book-keeping, engineering, human resources, and some other types of consulting services are also entitled to the CIT relief.

Furthermore, FEZ-based companies are exempt from real estate tax.

#### Tax Treatment of Dividends

Taxation of dividends is favorable in Lithuania, since Lithuanian rules on taxation of dividends are in line with the EU's Parent-Subsidiary directive. Dividends paid to a foreign entity are exempt from CIT if the recipient entity has held at least 10% of the voting shares in a Lithuanian company for the preceding 12 months.

Lithuanian companies receiving dividends from EEA-registered entities are free from CIT, with no specific participation or holding requirements. Needless to say, the tax relief on dividends is only applicable to actual arrangements, as Lithuania follows EU-wide rules on anti-avoidance. Hence, letterbox companies will not be able to benefit from tax-exempt dividends.

With no exemptions applicable, dividends are normally subject to a withholding CIT of 15%. However, a wide network of agreements on avoidance of double taxation (DTAA) reduces the applicable tax rate in many instances to 10% and even 5%. The network of Lithuania's DTAA's includes 53 countries.

#### Labor-Related Taxes

Although employment-related income in Lithuania is subject to rather high state social security taxes, positive changes are, many hope, underway. The current tax burden related to state social insurance contributions is 9% for the employee and approximately 31% for the employer.

In 2018, the Lithuanian Government is planning to introduce

the much-discussed income cap for state social security taxes. It is envisaged that the gross taxable income will be capped at the level of approximately EUR 98,000. If the amendments are approved, it will be a step forward in optimizing the employment-related tax burden.

*Daina Senapediene, Managing Partner,  
and Aleksandr Masaliov, Senior Associate, CEE Attorneys*

## SERBIA

### The VAT Treatment of Electronically Supplied Services in Serbia



Branimir Rajsic

The steady growth of the digital products market and an increasing demand for digital products required an adjustment to the Serbian VAT rules applicable to the supply of electronically supplied services (ESS), and that adjustment finally occurred in 2017. Combined with new rules on the VAT registrations of foreign suppliers,

VAT obligations related to ESS became more straightforward.

After the introduction of VAT in Serbia in 2005, ESS were considered made at the place of the recipient (either legal entity or individual). However, until 2013, there was no definition or list of ESS, so the taxpayers had to rely on official opinions by the Ministry of Finance (MoF) explaining the nature of a particular service. In 2013, the MoF issued a rulebook listing the types of ESS – and, among other things, rules applying to the storage and maintenance of web pages, the supply of software, audio-visual content, access to data bases, and e-learning. The rulebook remains in effect at the moment.

For ESS supplied to Serbian recipients by foreign suppliers, the local recipient had to account for VAT by applying a reverse charge – unless the foreign supplier was registered for VAT. However, as foreign suppliers were not able to register in Serbia until October 2015 because there were no rules governing registration, the reverse charge was the only way to get a VAT assessment. The rules on VAT registration for foreign suppliers were enacted in 2015, but foreign suppliers of ESS were explicitly excluded from the obligation to register.

The 2017 amendments to the VAT law significantly changed the VAT position of foreign suppliers of ESS in Serbia. As of January 1, 2017, suppliers of ESS are obliged to register for VAT if they supply ESS to non-taxable persons (*i.e.*, B2C). Foreign suppliers who provide services exclusively to taxable persons (B2B) are not obliged to register for VAT.

The VAT law now prescribes a different set of supply rules for services provided to taxable and non-taxable persons, as, for

services supplied to taxable persons the place of supply is the place of the recipient, while for services supplied to non-taxable persons the place of supply is the place of the supplier. In April 2017, new rules on the supply of ESS were introduced, which – in contrast to the general VAT law – makes the place of supply for ESS provided to non-taxable persons the place of the recipient. As a consequence, foreign suppliers of ESS to consumers should register and account for VAT in Serbia.

Once registered, foreign suppliers have to account for VAT, issue VAT invoices, file VAT returns, and pay VAT. They also are required to appoint VAT representatives who will fulfill the VAT obligations on their behalf. Foreign suppliers which fail to register may be fined up to EUR 16,000.

VAT should be assessed at the moment the service is supplied. The time of supply for a one-off ESS is the time needed for the completion of the service. Continuous ESS services such as web hosting are deemed supplied at the moment of expiration or the termination of the agreement between the parties. Where parties agree on the issuing of periodical invoices, the time of supply is the last day of the invoicing period (no longer than a calendar year). If the ESS concerns the granting of a license (*e.g.*, a software license), the time of supply would be the date of the invoice's issuance.

The VAT base for ESS is the consideration payable to the supplier, increased for ancillary expenses, and decreased for the discounts granted at the time of supply.

Although the new VAT rules make the assessment of VAT for ESS suppliers simpler, regulation and oversight of foreign providers of ESS will be a challenging task for the STA. This is because the STA does not have efficient instruments to cross-check cross-border transactions – especially payments made by consumers. Also, in some recent cases involving the STA's attempts to collect VAT for supplies carried by foreign VAT payers, the STA was unsure whether to collect the VAT from a VAT representative or a foreign taxpayer.

New VAT rules would likely increase the price payable for ESS unless foreign suppliers agree to bear the VAT expense. Large global providers of digital content have obviously considered the effects of the new VAT rules, as some of them have already registered for VAT in Serbia in order to be compliant.

*Branimir Rajsic, Head of Tax, Karanovic & Nikolic*



The 2016 Deal List is now publicly available. Go to this link for a comprehensive overview of all client work carried out by each of the 590+ firms in CEE that we reported on in 2016:

[www.ceelegalmatters.com/index.php/deal-list-2016](http://www.ceelegalmatters.com/index.php/deal-list-2016)



## MOLDOVA

### Operation Through Permanent Establishment in Moldova



Carolina Parcalab

The Republic of Moldova is a small Eastern European country with a market economy in development. Since its independence, Moldova has been keen to open its borders to foreign investment to vitalize its economy. To this end, Moldova has passed numerous legislative reforms to protect investments and encourage

cross-border transactions.

The Moldovan tax system has been one of the key targets of reform since 1992. Moldovan tax laws require non-residents to pay taxes on profits obtained from Moldovan sources through a “permanent establishment” (PE). The PE concept is regulated by the Moldovan Tax Code and around the 48 double taxation treaties to which Moldova is a party.

PE is the first test of possible taxation in Moldova for a non-Moldovan entity. Under the definition of PE in the Moldovan tax law, the existence of a PE establishes the right of the state to tax profits of a non-Moldovan enterprise. According to the Moldovan Tax Code, a non-Moldovan entity is subject to taxation only if it has a fixed place of business in the country, either through the management of assets, the acts of individual employees, or a dependent agent – an individual or company acting on behalf of the non-resident in the Republic of Moldova.

The Moldovan PE concept is a reasonable transposal of the OECD Model Convention, but in certain aspects it contradicts other business laws in Moldova.

The first source of confusion is due to the legal nature of PE as a tax fiction without legal personality, which is not separate from a non-resident whose profits are to be taxed. By this construction, foreign entities may do business in Moldova without incorporation formalities, except for a simple registration for tax purposes. This situation, however, is in contradiction with the main prohibition of entrepreneurial activity without State registration in one of the legal forms allowed by law (*i.e.*, as an LLC, JSC, or individual entrepreneur). Failure to comply with this requirement may result in severe fines for illegal entrepreneurial activity. To avoid this interpretation, the PE definition is often used not only to determine when a non-resident will be taxed in Moldova, but also to identify the limits of where a non-resident may operate in Moldova without incorporating a business entity. Since PE represents a pure taxation concept, its legal definition contained in the law is not sufficiently self-explanatory, as no clear distinction exists between such concepts

as “fixed place of business,” “representative office,” “branch,” and “subsidiary.”

This confusion is also supplemented by a special legal regime imposed on non-residents operating through a PE. Thus, even though a PE does not have a status of a separate legal entity and is not independent from a non-resident, the PE will be treated, for tax purposes only, like any other company in Moldova, and be required, among other things, to: (1) keep an accounting system in Moldova for the activity performed through the PE; (2) calculate, pay, and report income taxes from revenues obtained through the PE in Moldova; and (3) register as a VAT payer if the supplies through the PE exceed MDL 600,000 (about EUR 27,200) during any 12 consecutive months. In addition, for the purposes of foreign currency regulations, the PE will be regarded as a Moldovan resident. Thus, the PE will not be allowed to make or receive payments in Moldova in other currency than Moldovan Leu (MDL), with limited exceptions.

Another confusion related to the Moldovan PE definition is that the Moldovan legislator uses similar terminology when defining PE (in Romanian “reprezentanta permanenta”) and when defining the representative office of a legal entity (in Romanian “reprezentanta”). Moldovan practitioners frequently confuse these definitions. Indeed, there are several similarities between these two concepts, such as lack of legal personality. In addition, both are fixed places of activity where a legal entity may operate. However, in contrast to a PE, a representative office is prohibited from performing a business activity, and while a foreign entity performs through a PE its business activity in a jurisdiction other than its own, the actions of a representative office are limited to representing its founder’s interests.

The confusions listed above result in certain bureaucratic impediments. However, a thorough understanding of and timely addressing of the potential issues related to the application of PE in Moldova should build more confidence in foreign companies considering Moldova as a potential source of their business revenues.

Carolina Parcalab, Legal Manager, ACI Partners

## BOSNIA & HERZEGOVINA

### Tax Incentives and Tax Exemptions



Natasa Krejic

Taxes are the most important instrument for the collection of revenues in the Bosnian and Herzegovinian economy and represent the largest portion of revenues for the country.

Bosnia and Herzegovina consists, of course, of two largely auto-

mous constitutional and legal entities: The Federation of Bosnia and Herzegovina and the Republic of Srpska. The tax system of the Republic of Srpska collects both direct taxes and indirect taxes. The former group includes: (a) an Income Tax (regulated by the Law on Income Tax of the Republic of Srpska); (b) a Profit Tax (regulated by the Law on Profit Tax of the Republic of Srpska); (c) a Real Estate Tax (regulated by the Law on Real Estate Taxes of the Republic of Srpska); and (d) a Tax on the Use, Holding, and Carrying of Goods (regulated by the Law on Tax on the Use, Holding and Carrying of Goods). These taxes are regulated at the entity level, as is their control and collection.

The indirect tax consists of a Value Added Tax, which is regulated by the Law on Value Added Tax of Bosnia and Herzegovina, and its collection falls within the jurisdiction of the Indirect Taxation Authority of Bosnia and Herzegovina.

Each of the laws regulating specific taxes prescribe the conditions for payment, including identifying those obliged to make it. Of course, this obligation is dependent on the prior fulfillment of specific conditions, and may fall upon both individuals and legal entities; *i.e.*, the obligation applies to businesses.

As tax collection is to be performed “at the expense of” the economic power of a legal entity or an individual, it is important to know the tax system of the state and the obligations it imposes, as well as to know available tax exemptions and incentives.

In this respect, in the text below, we will focus on direct tax incentives and exemptions related to legal entities.

Although according to the **Law on Income Tax** the tax applies to incomes of individuals, legal entities in certain cases are required to pay as well. In particular, according to this law, individuals are personally taxed on income derived from personal income, independent activities, copyrights and rights related to copyright, industrial property rights, capital, capital gains, income from foreign sources and other incomes. However, employers (*i.e.*, legal entities) are obliged to pay taxes on income made on the basis of work – *i.e.* on the basis of personal income/salary.

On the other hand, according to the **Law on Profit Tax**, the profit of domestic legal entities and foreign legal entities for profits earned in the Republic of Srpska is taxed. Exemptions apply to: (1) Companies established in accordance with the regulations on the employment of disabled persons and companies that perform that activity without the aim of making a profit; and (2) Public institutions and humanitarian organizations, unless they generate income that is acquired under the same conditions as other legal entities that do not have the character of public and humanitarian organizations.

The **Law on Real Estate Tax** obliges the property owner to

pay property tax, and it applies to companies that own real estate as well. This law does not provide exemptions, but it provides a lower 0.10% tax rate for real estate in which production activities are carried out. Real estate in which production activities are carried out includes facilities for the production and storage of raw materials, semi-finished products, and finished products, if they make an organized unit.

Natasa Krejic, Partner, Law Firm Sajic

## BULGARIA

### Improvement of the Measures Against Tax Evasion and Tax Fraud in Bulgaria



Jivko Sedlarski

One of the defects of the Bulgarian tax system and of the enforcement authorities in Bulgaria – the lack of direct access to information for the purposes of administrative cooperation (the automatic exchange of information) between the relevant authorities and legal entities – is on its way to being resolved. In the beginning of October Bulgaria’s Council of Ministers approved a draft law amending and supplementing the Bulgarian Tax and Social Procedure Code (TSPC) mainly with respect to the automatic exchange of information, and filed it with the Bulgarian National Assembly. This law aims to implement EU Directive 2016/258, which addresses tax evasion and tax fraud and aims to increase transparency in the taxation field, including exchanges of information between the relevant tax authorities. We see this legislative step as an improvement of the tax system and an effective step against tax evasion and fraud.

The scope of the automatic exchange of information between the tax authorities of Member States – including exchanges of financial information, and of information related to advance cross-border rulings, among others – was extended through several EU Directives.

The draft law amending and supplementing the TSPC empowers tax authorities to access information, documents, and any other data (including information regarding the beneficial owner of a legal entity) gathered by the obliged persons mainly within the procedure of expanded customer due diligence pursuant to the provisions of anti-money laundering legislation.

The amendments in the TSPC relating to the automatic exchange of financial information would allow revenue authorities to obtain information about, for instance, the beneficial owners of intermediary structures in order to more effectively detect tax evasion. Most important is that the tax authorities could rely entirely on the information collected through the

application of anti-money laundering measures and thus easily establish potential cases of tax fraud and tax evasion.

Beside implementing EU legislation into Bulgarian law, the draft law also introduces some other measures in the fight against tax evasion and clarifies previously-adopted provisions. Amendments and supplements were adopted this past summer with respect to the personal liabilities of managers, members of management bodies, procurators, commercial representatives, and commercial agents of a legal entity which are subject to tax or compulsory social security contributions or are required to withhold and pay taxes or compulsory social security contributions. Indeed, it is possible to make persons personally liable if they have concealed facts and circumstances before the revenue authority or the public bailiff resulting to any obligations for taxes and/or compulsory social security contributions cannot be collected. The personal liability of such representatives is limited to the outstanding tax obligation.

Additionally, such persons, as representatives of the taxable entity, are also liable when making payments in kind or in money in bad faith, representing a hidden distribution of profits or dividends, or when they alienate property, including an ongoing concern, for no remuneration or at prices significantly lower than the market prices or perform actions relating to burdening the patrimony to secure a third party debt and then cashing the patrimony in in favor of the third party.

The TSPC also contains measures to stop people from carrying out a series of share purchase transactions to avoid shareholder's liability in cases of insolvency and over-indebtedness. Indeed, majority shareholders and to some extent minority shareholders shall be jointly liable for the company's outstanding obligations for taxes and compulsory social security contributions in the event they transfer their participation (so that they cease to be majority shareholders) in bad faith – the liability being proportional to their participation in the alienated part of the capital.

We consider such amendments useful both in facilitating the collection of taxes and in improving the tax culture of tax payers.

One deficiency which we see in adopting the draft law amending and supplementing the TSPC, however, is the fact that it currently refers to a draft Measures Against Money Laundering Act, which is currently in process of adoption. Therefore, we recommend that the amendments to the TSPC be adopted only after the Measures Against Money Laundering Act.

Once the amendments to the TSPC are adopted, we expect the tax and court practice to be changed, especially with respect to the collection of information.

*Jivko Sedlarski, Head of Tax, Penkov, Markov & Partners*

## MACEDONIA

### Tax System in Macedonia



Vesna Gavriloska

The US Foreign Corrupt Practices Act (FCPA) was introduced The last decade of the previous millennium set the Republic of Macedonia on a new course, with EU & NATO integration a number one priority for the country in the Western Balkans. This new course meant that reforms in almost all areas of state management were inevitable. A new system is reinforcing the principles of market economy, private property, and independence of economic subjects. The reforms have spread into the taxation policy of the country, starting in 1994 with the enactment of a series of new laws regulating income and property taxes and, in 2005, establishing a new government body: the Public Revenue Office.

The highlights of tax reform in Macedonia were the 2000 introduction of the Value Added Tax (which replaced the previous turnover tax) and the 2001 creation of a new excise taxation system. VAT promoted the goal of transferring the tax burden from direct to indirect taxes, which meant a reduction of the income tax and an increase in consumption taxes.

The new fiscal system introduced the principle of allocated neutrality of taxes and the state budget, based on which the instruments of the fiscal policy will no longer stimulate and support some (privileged) sectors.

The key elements of the new tax system include: a) income, consumption, and property are the subjects of taxation; b) taxpayers are companies and citizens; c) proportional tax rates are applied to taxes on revenues and consumption; and d) there is a developed system of electronic payment of taxes.

There are four types of taxes in Macedonia:

**1. Income (direct) Taxes:** A 10% **Personal Income Tax** is payable annually by individuals – both residents and non-residents – on income generated in the country and abroad. The **Profit Tax** is payable annually by: (a) resident legal entities of Macedonia generating income in the country and abroad, and (b) permanent establishment of non-residents on the profit realized by activity performed in Macedonia; the taxable profit increased for the unrecognized expenses is the tax base, and the tax rate is 10%. Withholding tax applies to revenues of foreign legal entities. A set of 48 international agreements for avoiding double taxation are available.

**2. Consumption (indirect) Taxes:** VAT is payable on the turnover of goods and services at all stages of production, trade, and services. The taxpayer is a person (either a legal entity or individual) which performs a commercial activity either per-

manently or temporarily. The tax period can be one or three months and the general tax rate is 18% (the beneficial rate is 5%). **Excise Tax** is charged on the consumption of mineral oils (at a specific rate), alcoholic beverages (at a specific rate), tobacco goods (at combined rates) and PMVs (at progressive rates). The purpose of **Customs duties** is to protect and support the financial interests and economic activity of the country, both protecting it from unfair competition and enhancing the competitiveness of the Macedonian economy. The import of products is the subject of taxation, the value of the imported products is the tax base, and all persons and/or legal entities that import products from abroad appear as taxpayers. The customs duties are regularly harmonized with the rules of WTO and the Combined Nomenclature of EU; foreign trade agreements with EU, EFTA, CEFTA countries, Turkey, and Ukraine, as well as the One Stop-Shop system for cross-border trading offer a set of benefits.

3. Various **Property taxes** include: the **Real Estate Tax** is payable annually by the owners (individuals and/or legal entities) and the tax rate is 0.10% to 0.20% of the estate's market value; the **Real Estate Transfer Tax** is paid by the seller (if not otherwise agreed), on each transfer of property, regardless of the compensation, and the tax rate is 2% to 4% of the market value at the moment of transfer; the **Inheritance and Gift Tax** applies to real estate or right of usage and usufruct that is inherited or received as a gift; the tax base is the market value of the estate, and the tax rate varies from 2-5% depending on the inheritors and the hereditary lines, with inheritors of the first line exempted from payment.

4. With the new fiscal concept, a high number of contributions were replaced with personal income tax. Only the **Contributions for social funds** were kept, which are part of the gross salary concept, and include contributions for health, pension, and disability insurance, and insurance in case of unemployment. The basis for calculating and paying social contributions depends on the type of income gained by the taxpayer.

*Vesna Gavriloska, Partner, Cakmakova Advocates*

## HUNGARY

### New Tax Code Changes Require Brand New Tax Dispute Strategy



*Eszter Kalman*

The traditional methods of tax audits and tax litigation in Hungary will soon be a matter of the past, as three new codes have recently been adopted by Parliament and will come into force on January 1, 2018. Naturally, they are a hot topic in the industry.

While the government says the

“tax package” simplifies and makes tax law business friendly, these changes to procedural rules are expected to make the positions of taxpayers defending themselves in tax disputes more difficult.

Currently, taxpayers have several options in disputing a decision by the Tax Authority. First, they can submit observations on the minutes summarizing the findings of the tax audit. Given the relatively short deadline to do so, observations are not always submitted – and when they are, they are not necessarily meant to be a comprehensive document, containing facts, circumstances, and arguments. Once the Tax Authority issues a resolution, taxpayers may appeal even if they submitted observations beforehand. Should the Tax Authority maintain its position despite the appeal, this second decision may be challenged before the Administrative and Labor Court. Although there is no appeal of the ruling of this court, the Supreme Court (the “Curia”) can be asked to review its decision, effectively acting as an appellate court. Until the Administrative and Labor Court hears the case, a taxpayer may come forward with new facts, evidence, or legal arguments to support his position.

It is believed that in the future the observations due once the audit is formally finished will become a key document in the procedure. According to the new Tax Procedures Code, taxpayers may not refer to any facts or evidence in their appeal against the first instance decision of the Tax Authority, if such facts or evidence were known to them prior to the Tax Authority formally passing its resolution, provided that the Tax Authority gave warning to come forward with them. It may be safe to predict that all Tax Authority minutes will include boilerplate sentences announcing that this is the last chance for facts and evidence. It follows that the only opportunity for taxpayers to gather and present their full arsenal will be in the observations. While the deadline to make observations will be extended to 30 days from the currently applicable 15 days, this is still a tight deadline for formulating a defense strategy, especially when translation is required with non-Hungarian speaking clients. In addition, new litigation rules state that taxpayers are not allowed to present new facts and circumstances to the court that were not presented in the underlying administrative phase, unless this evidence was not available at the time or was rejected by the Tax Authority. These two restrictions effectively mean that whatever is not brought up in observations should remain buried forever.

In light of the above, involving tax lawyers once a court case is pending may be too late to affect the outcome. Rather, you should be alerting your lawyers as soon as the Tax Authority starts an audit and hints at any issues. This will allow you and your legal team time to create a defense strategy and position papers before the minutes are issued. In this way, you will have a fully comprehensive defense mechanism in place from the deadline to submit observations until – if necessary – the Supreme Court.

*Eszter Kalman, Head of Tax, CMS Budapest*

Thank You To Our Country Knowledge Partners For Their Invaluable Input and Support

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