

# WELCOME TO ESTONIA TAXES AND STRUCTURE

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- ▶ Estonia has transformed itself into one of Europe's business success stories of the last decade, mainly thanks to the sophisticated e-solutions available here. Whether they're business-to-business or government-to-business, these solutions rely on infrastructure like the X-Road and eID to create the kind of fast interaction and access needed to make commerce work.

## BUSINESS IN ESTONIA

- ▶ It's a simple fact – where business is easy, business will grow. Services in the private sector such as internet banking and digital signatures have cut costs and sped up trade like never before. Likewise, the public sector solutions used in Estonia like electronic tax filing, e-business registry and the availability of public records online have pared bureaucratic waste down to a bare minimum.

**CONVENIENCE**



- ▶ The Republic of Estonia is the first country to offer e-Residency — a transnational digital identity available to anyone in the world interested in administering a location-independent business online. e-Residency additionally enables secure and convenient digital services that facilitate credibility and trust online.

## WHAT IS E-RESIDENCY?

- ▶ Key drivers for Estonia's high rank:
- ▶ Low **corporate tax rate at 20%** with no double taxation of dividend income
- ▶ Nearly flat **20% income tax rate**
- ▶ Property tax **only on the value of land** and not on the value of the buildings
- ▶ Territorial tax system that **exempts 100% of foreign profits**

## WHY ESTONIA?

▶ **Tax base**

- ▶ Corporate profits distributed in the tax period; dividends and other profit distributions, incl liquidation proceeds and payments made on reduction of companys equity or redemptpsion or return of shares
- ▶ Taxable gifts, donations and represantation expenses;
- ▶ Exspenses and payments unrelated to business.
- ▶ Fringe benefits are taxable at the level of employer
- ▶ Losses- taken into account (Estonian Commercial Code does not allow to distribute profits if the company has losses from previous years).

# CORPORATE INCOME TAX

- ▶ A Neutral Business Tax System:
- ▶ Estonia allows for full expensing of capital investment: when a business determines its profit, it is able to account for the full cost of capital investment (plant, equipment, structure, etc.) in the year in which it is incurred.
- ▶ It **only taxes distributed profits** and at a 20% tax rate: if a business in Estonia earns profit and pays that out to its shareholders, the business would be required to pay a tax of 20% on the distributed profit (only if its paid out). Instead, if that business decides to reinvest that profit, it would not have to pay taxes on that.
- ▶ Estonia also provides a 100% exemption on any foreign earned income.

## CORPORATE TAX STRUCTURE

- ▶ Tax Base:
- ▶ Employers payments to individuals (wage income)- tax payable by employers (-in cash or -in kind (fringe benefits)).
- ▶ Business income of self employed- tax payable by self employed persons.

SOCIAL TAX 33%

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- ▶ Value added tax : 20% or 9%
- ▶ VAT is charged on:
  - ▶ Goods and services within Estonia
  - ▶ Intra-community acquisitions of goods and services
  - ▶ Importation of goods and services
  - ▶ Provision of services which are taxable in Estonia, supplied by the foreign taxable person

VAT: 20% STANDARD AND 9% REDUCED  
(BOOKS, NEWSPAPER, MEDICINE,  
ACCOMMODATION).

# Thank you!

A.C.T. Group

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