



# ESTONIA

Estonia - Civil Law (German)

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## Incorporating a company in Estonia

# Estonia taxes

If you want to start a business in Estonia, reading this will help you becoming knowledgeable on the specific tax laws and rates for a PTE LTD which is the most common company type in Estonia.

Estonia taxes resident companies on their distributed profits, whether from local or foreign source. Which means that undistributed profits are not taxable. The established estimated tax rate for dividends paid out of offshore activities, from our research, but seek professional advice, is 20%. However, Estonia may have exclusions and other available benefits to remit offshore income earned abroad. Taxes are reasonable in Estonia because the profits distribution tax rate is 20%. This ranks Estonia as 70th when compared to corp. taxation rate internationally.

The VAT rate in EE is 20.00%, that ranks Estonia as 134th overall with regards to VAT taxation rate internationally. In terms of other taxation, an employer will contribute 33% to the equivalent of a social security fund and an employee will contribute 2%.

Thin capitalization restrictions are not in play. This refers to any type of requirements on a business and the debt-to-asset ratios.

Corporate tax only applies to dividends and there is no separate dividend withholding tax. However, dividends distributed paid out of dividends received from a company resident in EEA or Switzerland, in which resident company holds at least 10% of its participation, are exempt from taxation. The exemption also applies to dividends received from profits that have been subject to foreign income tax. Dividends paid out of profits attributable to a foreign P.E. are tax exempt, provided that such profits have been subject to foreign income tax or P.E. is located in the EEA or Switzerland. Dividends are distribution of company earnings, voted by the board of directors, to shareholders. Dividends can be issued as cash payments, shares of stock, or other property.

Capital Gains are considered ordinary income, and taxed when gains are distributed. A capital gains tax is levied on the profits that a corporation or natural person realizes when he or she sells a capital asset for a price that is higher than the purchase price. There are CFC rules enacted, but only applies to individuals.

Corporate Income Tax is levied upon dividend distribution, and there is no additional withholding tax on dividends paid to non-residents. Interests are not generally subject to withholding tax. However, a 10% withholding tax may apply for interests paid to non-residents from a contractual fund or other pool of assets, if more than 50% of the assets consist in Estonian-situs real property and the recipient holds more than 10% of the fund/pool. Royalties are usually subject to a withholding tax of 10%. This means that payments on royalties to non-residents are taxed at 10% rate, unless the EU royalties directive apply or rate is reduced under a tax treaty.

There is no known tax on wealth in Estonia. There are no known inheritance and transfer taxes in Estonia. There is a real property tax. There are not many well known R&D initiatives that provide breaks on taxation here.

The above is not tax or legal advice for your corporate tax obligations. We are able to help you to find an expert in Estonia who can answer all your questions. Click incorporate now if you are in a hurry, or press the free consultation button above.

The vat rate in Estonia is 20% which ranks 134 in the world.

- ✗ **Patent box**
- ✗ **RND credit**
- ✗ **Wealth tax**
- ✗ **Estate tax**
- ✗ **Transfer taxes**
- ✗ **Asset taxes**

- 58 Tax treaties**
- 20% Offshore Tax**
- 20% Corp rate**
- Loss carryback years**
- Corporate time**
- 20% VAT rate**

# Estonia Legalese

When examining a jurisdiction in which to incorporate, the first thing to look at is the legal code. The underlying law in Estonia is civil law (german) law. You will want to get some local advice as to how to best structure a company in Estonia. One is permitted to electronically sign documents.

The letters EE is for Estonia and the most common legal entity structure in Estonia is a LLC.

The average time to incorporate is 6 weeks to incorporate a LLC in EE. The types of cash you can use to capitalize your business is frequently EUR and Any legal currency.

Yes, one is allowed to re-domicile a LLC from EE. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least 1 shareholder. This makes it possible for you to own a LLC in EE by yourself. Corporate Shareholders are permitted, which means you can have a legal entity as a shareholder. Foreign ownership is tolerated, up to 50% of the ownership of the legal entity.

A legal entity is only required to have one director. Consequently, corporate directors are not permitted. Directors should not have an expectation of privacy, as they are not kept private in Estonia. There is a body of law which requires companies to hold an annual meetings of shareholders.

A registered agent is normally required, which means the company will have to pay a fee on a yearly basis, for a legal services company which can receive litigation or other legal process on behalf of the registered legal entity. Moreover, a company secretary is not always necessary, at least not by law.

There is a no requirement to file annual returns. This doesn't preclude the company or shareholders from additional tax or financial obligations elsewhere and you would be wise to receive personal advice on their unique obligation. Furthermore, there is no requirement that these accounts be audited.

Overall we think Estonia is a good option and have given it a score of 77 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ Directors not disclosed in a public registry
- ✗ Shareholders not disclosed in a public registry
- ✓ Redomiciliation permitted
- ✓ Registered office required
- ✗ Corporate director permitted
- ✗ Local Secretary not required
- ✓ Local Director not required
- ✓ Electronic signature

- 1 Shareholders required
- 1 Directors required
- 6 weeks to form



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## Country Info



🏴 National Flag of

**Eesti Vabariik (est)**

\$ Currency

**EUR**

☎ Area Code

**+372**

🏰 Capital

**Tallinn**

✈ Region

**Northern Europe**

🌿 Native Languages

**Estonian**