

# Taxation comparison



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# Estonia

- Member of the EU, NATO and OECD
  - Political and economic stability
- Currency: euro (since 1 January 2011)
- Geographical midpoint
- Economic freedom: one of the highest in the world and the best in EU
- Modern IT solutions
  - State e-services (incl. tax authorities), e-banking, e-residency and digital signatures
- Highly educated and motivated workforce
- English is spoken widely
- The largest banks are subsidiaries and affiliates of Scandinavian banking groups
- Low cost of doing business and no corporate income tax on earned profits

# Rankings



	Estonia	Denmark	Finland	Total
The Bertelsmann Transformation Index	2			129
The Wall Street Journal and Heritage Foundation's Index of Economic Freedom (2017)	6	18	24	180
The World Bank (2016)	12	3	13	190
The Transparency International - Corruption perceptions index 2016	22	1	3	176
The World Economic Forum's Global Competitiveness Index (2016-2017)	30	12	10	140
The World Competitiveness Yearbook 2016 (the International Institute for Management Development)	31	6	20	61
Moody's Rating	A1, stable	AAA, stable	Aa1, stable	

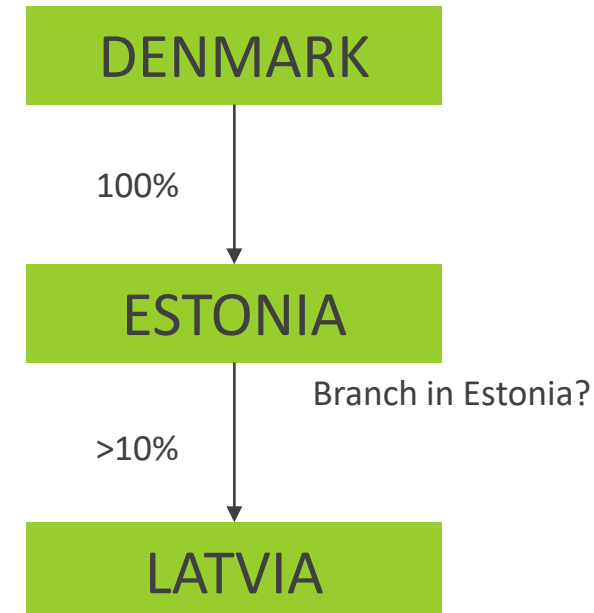
# Private limited company (LLC)

*versus* public limited company *versus* a branch

- Establishment: from 1 to 5 working days
  - E-residency
  - Registered address
  - Business name and trademarks
  - Licences
- Share capital: EUR 2,500
  - Contribution payment (vs Denmark)
  - Monetary and non-monetary contributions
  - Shareholders personal liability
- Corporate governance
  - Shareholder
  - Supervisory board is optional
  - Management board (contact person)
- Accounting and audit
  - GAAP and IFRS
  - Taxation period
  - Annual report: 6 months (vs Denmark)

# Corporate income tax (CIT)

- Earned profits are not subject to taxation
  - Incl. reinvested or retained profits
- Distributions may be subject to CIT at the rate of 20%
  - Total profits 100,000
  - CIT 20,000
  - Dividend 80,000
- No withholding income tax on dividends, interest, EU royalties and service fees (if provided abroad)
- Mergers and divisions are tax neutral
- Monthly tax returns and payments
- Changes in the future?



# Value added tax (VAT)

- The principles of EC VAT Directive are applicable
- VAT rates: 20%, 9% and 0%
  - Extended reverse charge mechanism
- Registration threshold: EUR 16,000
- Registration process: 5 working days
- Reclaim of input VAT

# Payroll taxes

- Taxation

- Gross salary: 1,000.00
- Employer's costs: 1,338.00
- Net salary: 807.20

- Fringe benefits (vs Finland)

- Personal income tax, social security system and inheritance tax

- Formalities

- Minimum salary: EUR 470
- Employment registration
- Residence and work permits

- Trade unions and strikes



# Thank you!

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