

Preface

Each year new companies are established in Estonia. Due to globalization of the business environment, there are many people among the founders and management of the companies whose native language is not Estonian.

It is difficult and time consuming to peruse all the different laws and regulations regulating taxation of companies in Estonia. We hope that this book will be of assistance to both the English-speaking entrepreneurs already operating in Estonia as well as those planning to start business activities in Estonia, helping to save valuable time and to break the language barrier. This book also contains information about setting up companies as well as about the terms and conditions of entering into employment contracts.

The selection of topics is based on the compiler's experience in counselling and training Estonian undertakings during the years 2004–2011. In this time, specific topics in which the undertakings need more knowledge have become obvious.

The aim of this book is to offer a comprehensive overview of the most essential information on these topics. It follows legislation valid in Estonia from **1 January 2011**, including the Income Tax Act, the Social Tax Act, the Value Added Tax Act, the Commercial Code and respective regulations and legislation.

This publication will facilitate the work of accountants and consultants providing services to companies with foreign ownership. It will support accountants offering advice and help overcome the language barrier as well as reduce the need for consultations. It can also be used in learning and teaching business and accounting related English.

Undertakings will undoubtedly find this book cost-effective, since it helps them avoid unexpected tax liabilities due to lack of knowledge in this field. After reading this book, entrepreneurs will know how to take full advantage of legal tax exemptions.

Take this book with you – you can read it when travelling by plane, train or boat, during long waits, at home or work or in hotels.

Good luck with your undertakings in Estonia!

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This book is meant to be informative. It cannot be considered economic or legal advice. Each single case of any tax-related issue must be reviewed separately. Before making a decision on the best possible course of action, sufficient information on the circumstances of the transaction should be collected. Hence neither the compiler of this book nor the publisher takes responsibility for any direct or indirect damages resulting from any actions taken based on this book.

Since amendments to Estonian taxation laws are made every year, it is always recommended to pay attention to the validity of the legislation. You can find the exact wording of any legislation, with different periods of validity, at www.riigiteataja.ee. Contact a tax consultant or the local tax authority in case of any issues.

Legislation wordings valid in Estonia from 1 January 2011 have been used in writing this book.

Names of acts in Estonian and English, abbreviations in Estonian

Äriseadustik	ÄS	Commercial Code
Maksukorralduse seadus	MKS	Taxation Act
Tulumaksuseadus	TuMS	Income Tax Act
Sotsiaalmaksuseadus	SMS	Social Tax Act
Käibemaksuseadus	KMS	Value Added Tax Act
Töötuskindlustuse seadus	TKindIS	Unemployment Insurance Act
Võlaõigusseadus	VÕS	Law of Obligations Act
Töölepingu seadus	TLS	Employment Contracts Act

1. Founding a company in Estonia

The company types defined in the Estonian Commercial Code are: general partnership (täisühing, TÜ), limited partnership (usaldusühing, UÜ), private limited company (osaühing, OÜ), public limited company (aktsiaselts, AS) and commercial association (tulundusühistu) - see Commercial Code § 2. Companies must be registered in the Commercial Register. Registration departments of county courts are registrars of the Commercial Register.

Setting up a new company in Estonia can be done quickly and easily online, via the Company Registration Portal of the Commercial Register, or by using the services of a notary's office. After the data of the company to be set up has been entered in the Company Registration Portal, the company will be registered in the Commercial Register by expedited procedure already on the same day or the next day. The currently known fastest time of setting up a company is 18 minutes.

Minimum start-up capital:

- The share capital of a private limited company shall be at least **EUR 2,500** (*basis: Commercial Code § 136*).
- The share capital of a public limited company shall be at least **EUR 25,000** (*basis: Commercial Code § 222*).

State fees for entry in the Commercial Register in 2011:

- EUR 12.78 for entering a sole proprietor, general partnership or limited partnership in the commercial register
 - EUR 140.60 for entering a private limited company, public limited company, commercial association or an affiliate of a foreign company in the commercial register; EUR 185.34 for expedited procedure
- (*basis: State Fees Act § 59. Entries in commercial register*)

1.1. Founding a company in the Company Registration Portal of the Commercial Register

You can find the **Company Registration Portal** at <https://ettevotjaportaal.rik.ee>. The portal operates in Estonian and English.