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**ISSUES RELATING TO FOREIGN INVESTMENT**

**ESTONIA**  
**Lepik & Luhaäär LAWIN**

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**1) Is national governmental permission required for foreign investors to acquire real estate? If so, please identify.**

In most cases national governmental permission is not required for foreign investors to acquire real estate. In some specific areas (given below) foreign investors need a governmental authorization for the acquisition of an immovable. Foreign investors can acquire an immovable used as profit yielding land, the land use type categories of which include 10 ha or more of agricultural or forest land only with the authorization of the county governor.

**2) Are there other national restrictions imposed on ownership of real estate by foreign investors? To acquire interests in entities which own real estate? If so, please identify.**

The following persons may, without any further conditions, acquire an immovable used as profit yielding land, the land use type categories of which include 10 ha or more of agricultural land:

- 1) an Estonian citizen;
- 2) a citizen of a Contracting State who, at the time of concluding the contract of sale, has permanently resided in Estonia for at least the last three years, who is a sole proprietor entered in an Estonian register and has engaged in the manufacture of agricultural produce in Estonia during at least the last three financial years;
- 3) A legal person entered into the Estonian commercial register or register of non-profit associations and foundations who has engaged in the manufacture of agricultural produce in Estonia during at least the last three financial years. An immovable may be acquired under the same conditions by a legal person of a Contracting State provided that a branch of the legal person has been entered in the Estonian commercial register.

If a person does not meet the requirements set out above the person can acquire an immovable used as profit yielding land, the land use type categories of which include 10 ha or more of agricultural or forest land only with the authorization of the county governor.

A natural person who is neither an Estonian citizen nor the citizen of any Contracting State or a legal person who is not entered in the appropriate Estonian register may acquire an immovable used for profit yielding land, the land use type categories of which include agricultural or forest land only with the authorization of the county governor.

Any person who is not an Estonian citizen or the citizen of a Contracting State or a legal person of Estonia or a Contracting State is prohibited from acquiring immovables in the following areas:

- 1) the sea islands, except Saaremaa, Hiiumaa, Muhu and Vormsi;
- 2) in the county of Ida-Virumaa: the cities of Narva, Narva-Jõesuu and Sillamäe and the rural municipalities of Alajõe, Iisaku, Illuka, Toila and Vaivara;
- 3) in the county of Tartumaa: the rural municipalities of Meeksi and Piirissaare;
- 4) in the county of Põlvamaa: the rural municipalities of Mikitamäe, Orava, Räpina and Värskä;
- 5) in the county of Võrumaa: the rural municipalities of Meremäe, Misso and Vastseliina.

The Government of the Republic may grant authorization for the acquisition of an immovable in the areas provided above also to other persons for reasons significant to the state.

**3) Are foreign investors required to invest with a local partner? If not, is investment with a local partner advisable?**

Foreign investors are not required to invest with a local partner. In some cases it is advisable to invest with a local partner. For example a foreign investor can not buy immovable used as profit yielding land, the land use type categories of which include 10 ha or more of agricultural or forest land without the authorization of the county governor. But an Estonian legal person can acquire above mentioned immovable without the authorization of the county governor.

**4) What national taxes are levied solely on foreign individuals or entities acquiring or transferring real estate or interests in entities which acquire real estate?**

There are no national taxes levied **solely** on foreign individuals or entities acquiring or transferring real estate or interests in entities which acquire real estate. National taxes like income tax, value added tax, land tax are levied on everybody regardless of foreign element.

**5) Describe reporting requirements for reporting the acquisition, ownership or disposition of real estate which relate solely to foreign direct or indirect owners of real estate.**

There are no reporting requirements for reporting the acquisition, ownership or disposition of real estate which relate solely to foreign direct or indirect owners of real estate.

Compliance with the requirements mentioned above or the existence of the authorization will be verified by a notary. In order to have compliance with the requirements, the following must be submitted to the notary:

- 1) a statement from the Tax and Customs Board in proof of the fact that the sole proprietor has engaged in the manufacture of agricultural produce in Estonia during at least the last three financial years. The certificate shall be issued based on Form E of the income tax return of the resident natural person if the sole

proprietor has used the additional deduction during the last three financial years;

2) a statement from the Tax and Customs Board in proof of the fact that the legal person has engaged in the manufacture of agricultural produce in Estonia during at least the last three financial years which shall be issued on the basis of the annual reports of the last three financial years;

3) a statement from an environmental authority certifying the fact that the sole proprietor or legal person has engaged in forest management in Estonia at least during the three last financial years;

4) information provided by the Tax and Customs Board on entry of the sole proprietor in the register of taxable persons unless the sole proprietor has been entered in the commercial register.