



Estonia

Prepared by Lex Mundi member firm,
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DOING BUSINESS IN ESTONIA

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Contents

1	INTRODUCTION.....	5
1.1	ESTONIA AT A GLANCE	5
1.1.1	ESTONIA.....	6
2	INVESTMENT REGIME	9
2.1	INVESTMENT POLICY	9
2.2	E-RESIDENCY	9
2.3	INVESTMENT REGULATION.....	10
2.4	RESTRICTIONS ON FOREIGN INVESTMENTS	10
2.5	GRANTS AND INCENTIVES AVAILABLE TO INVESTORS.....	12
2.6	EXPORT INCENTIVES OR GUARANTEES.....	13
2.7	INVESTMENT FUNDS.....	13
2.8	FREE/ SPECIAL ECONOMIC ZONES	14
3	TAX REGIME	14
3.1	GENERAL INFORMATION	14
3.2	BUSINESS TAXATION	15
3.2.1	Corporate Income Tax (CIT).....	15
3.2.2	Value Added Tax (VAT).....	16
3.2.3	Other taxes	17
3.3	TAXATION OF RESIDENTS	18
3.3.1	Personal Income Tax (PIT).....	18
3.3.2	Social Security Contributions.....	19
3.4	TAXATION OF NON-RESIDENTS.....	20
4	FINANCIAL FACILITIES	21
5	EXCHANGE CONTROLS	22
5.1	BUSINESS TRANSACTIONS WITH NATIONALS, RESIDENTS OR NON-RESIDENTS ...	22
5.2	MONEY TRANSFER.....	23
6	ESTABLISHING A BUSINESS	24
6.1	REQUIREMENTS FOR THE ESTABLISHMENT OF A BUSINESS.....	24
6.1.1	Alien Business law.....	24
6.1.2	Government Approvals, Licenses and Permits	24
6.1.3	Environmental Regulations.....	25
6.1.4	Insurance	25
6.1.5	Government Participation	26

6.2	FORMS OF BUSINESS ENTITIES	26
6.2.1	Private Limited Company	27
6.2.2	Public Limited Company	28
6.2.3	Joint Ventures.....	29
6.2.4	Branches /Representative Offices	30
6.3	ESTABLISHMENT PROCEDURES	31
7	LICENSING AND REPORTING	33
8	REPORTING REQUIREMENTS.....	34
9	PUBLIC TRADING IN SECURITIES.....	35
10	ESTONIAN SECURITIES MARKETS	35
11	OPERATION OF THE BUSINESS.....	36
11.1	ADVERTISING AND SALES PROMOTION.....	36
11.2	E-COMMERCE.....	37
11.3	COMMERCIAL AGREEMENTS.....	38
11.4	CONSUMER AGREEMENTS	39
11.5	IMPORT AND EXPORT REGULATIONS	41
11.6	ATTORNEYS.....	41
11.7	REDUCTIONS OR RETURN ON CAPITAL.....	41
12	COMPETITION.....	42
12.1	ANTICOMPETITIVE AGREEMENTS.....	42
12.2	DOMINANT POSITION	43
12.3	MERGER CONTROL	43
12.4	STATE AID	44
13	PUBLIC PROCUREMENT & PPP.....	45
14	INTELLECTUAL PROPERTY	46
15	CESSATION OR TERMINATION OF BUSINESS	49
15.1	TERMINATION.....	49
15.2	INSOLVENCY/ BANKRUPTCY.....	50
16	EMPLOYMENT.....	51
16.1	GENERAL FEATURES OF EMPLOYMENT LAW	51
16.2	TERMINATION OF EMPLOYMENT CONTRACT	52
16.3	SAFETY STANDARDS	54
16.4	TRADE UNIONS	54
17	EXPATRIATE EMPLOYEES.....	55
17.1	WORK PERMITS	55

17.2	COST OF LIVING AND HOUSING	56
17.3	MEDICAL CARE.....	56
17.4	DRIVERS' LICENSES	56
17.5	IMPORTING PERSONAL POSSESSIONS	57
18	REAL ESTATE	57
18.1	GENERAL FEATURES	57
18.2	ENCUMBERING REAL ESTATE	58
18.3	COMMERCIAL LEASE AGREEMENTS	59
18.4	CONSTRUCTION MATTERS	60
19	DISPUTE RESOLUTION.....	61
19.1	CHOOSING JURISDICTION.....	61
19.2	ALTERNATIVE METHODS OF DISPUTE RESOLUTION.....	61
19.3	LENGTH OF COURT PROCEEDINGS	62
19.4	SECURING OF THE ENFORCEABILITY OF FUTURE DECISIONS.....	62
19.5	ENFORCEMENT OF FOREIGN COURT DECISIONS AND ARBITRAL AWARDS	63
19.6	ENFORCEMENT OF NATIONAL COURT DECISIONS OUTSIDE THE COUNTRY.....	64

1 INTRODUCTION

Often referred to as a “bridge between the West and the East”, Estonia has always been of interest to potential investors and international businesses due to its location, available infrastructure and comparatively easy access to its neighbouring territories. In addition, globalisation and international trade development have spurred local businesses to consider expansion of operations on a regional scale. This guide aims to provide an insight into the legal environment of Estonia in order to assist both foreign investors and local businesses in doing business in Estonia.

1.1 ESTONIA AT A GLANCE

The table below presents key information on Estonia:

Flag	
Capital	Tallinn
Population	1.3 million
Area	45,228 km ²
Official language	Estonian
Currency	Euro (EUR)

There are no cultural or religious influences or prohibitions on the way business is conducted in Estonia. Prohibitions of discrimination on any grounds including, but not limited to, religion and culture, are set out at the highest legal level.

In 2000–2007, Estonia enjoyed the highest economic growth rates in Europe, followed by a hard contraction as a result of the financial crisis and the global economic recession of 2008–2010. This was followed by stabilization and period of stable growth. The economy in 2004 had recovered and many indicators had reached the level of peak of the growth period in 2007. Ever since 2014 the growth of some of the indicators has slowed a little bit down, but overall most of them are still moving at an increasing pace.

The table below presents key indicators on Estonia in 2010-2011:

Key Indicators in 2013-2014		
		Estonia
GDP (current prices, mIn EUR)	2014	19 525.3
	2015	20 460.9
Real growth (%)	2014	2.1
	2015	1.1
Average gross wages (EUR)	2014	1005
	2015	1065
Unemployment rate (%)	2014	7.4
	2015	6.2

Consumer price index change (%)	2014	-0.1
	2015	-0.5
Producer price index change (%)	2014	-1.6
	2015	-3.0
Construction price index change (%)	2014	0.5
	2015	0.5
Exports (mln EUR)	2015	11 628.8
Imports (mln EUR)	2015	13 072.9
Average annual inflation rate (%)	2014	0.5
	2015	0.3??0.8??0.6?

1.1.1 ESTONIA

ESTONIA	
Geography and Climate	<p>Estonia is located on the eastern shore of the Baltic Sea and is bordered to the north by the Gulf of Finland. The size of Estonia's territory is approximately 45,228 km². Estonia has four neighbouring countries: Latvia, Finland, Sweden, and the Russian Federation.</p> <p>Estonia is located in the northwest part of the East-European Plain, i.e. within a transition zone from a maritime to a continental climate. The main factor influencing the climate of Estonia is the Atlantic Ocean (in particular the North-Atlantic Stream), which influences the climate in the whole of Europe. Estonian climate is characterized by seasonal weather changes: spring, summer, autumn and winter. The average annual temperature is between 4.6 and 6.7°C, depending on the location. The warmest month of the year is July (with maximum temperature over 30°C), and the coldest is January (with its lowest temperature below -30°C).</p>
Infrastructure	<p>Estonia's infrastructure includes roads of state significance such as highways and national and regional roads, which all are free of charge.</p> <p>Estonia has five international airports, situated in Tallinn, Tartu, Pärnu, Kuressaare and Kärdla. Tallinn airport attracted 2,2 million passengers in 2015, while the other airports are very small and host a limited number of flights.</p> <p>There are numerous ports in Estonia that are suitable for cargo and passenger transport. By cargo turnover, the largest port operators are Tallinn Port, Sillamäe Port, Pärnu Port and Kunda Port, whereas the largest, Tallinn Port, has four ports located in North-Estonia (Old City Harbour, Muuga Harbour, Paldiski South Harbour, Paljassaare Harbour). The ports of other port operators are significantly smaller.</p>

	<p>Direct rail routes link Estonia with Russia and Latvia. Rail Baltica, one of the priority projects of the European Union's Trans-European Transport Networks (TEN-T), which is being planned to improve rail connections between Central and Eastern Europe and Germany, will operate through Estonia.</p>
Communication	<p>There are three mobile phone operators in Estonia – Telia, Elisa and Tele2 – and a wide number of companies providing internet services.</p> <p>AS Eesti Post (operating under trade name Omniva), a fully state-owned universal service provider, provides universal postal services in Estonia. It has around 400 structural units for serving customers all over the country. In addition, there are alternative postal service and courier service providers operating in Estonia.</p>
Public Services	<p>Natural gas is supplied mainly by Eesti Gaas AS.</p> <p>Electricity is supplied by various energy suppliers as of 1 January 2013. All electricity customers are free to choose an electricity supplier; however if they fail to do so, electricity is provided by AS Eesti Energia, based on its public service obligation.</p> <p>District heating is provided by local heating companies in a majority of Estonia's larger municipalities.</p> <p>Water is supplied by public water suppliers, which are controlled by municipalities. Prices of services of public water supply are subject to the Estonian Competition Authority's approval.</p>
Diplomatic Relations	<p>As of 2011, Estonia had established diplomatic relations with 173 countries. Thereafter, Estonia has established diplomatic relations with other countries – e.g. Tonga, Togo, Central Africal Republic. For more information about diplomatic relations and contact information for the embassies and consulates in Estonia, please see http://www.vm.ee/?q=en/taxonomy/term/42.</p> <p>On 21 December 2007, Estonia joined the Schengen Area, with no internal border controls when travelling between Schengen countries. Detailed visa information is available at http://www.vm.ee/?q=en/taxonomy/term/41.</p>
Government	<p>Estonia is an independent democratic republic with a multi-party parliament. Sovereign state power is vested in the people of Estonia and is exercised by the Parliament (<i>Riigikogu</i>), the President of the Republic, the Government and the Courts.</p> <p>Executive power is vested in the Government of the Republic. The Government is comprised of the Prime Minister and Ministers. The President of the Republic designates a candidate for Prime Minister to whom is assigned the task of forming a new Government, which must be approved by the <i>Riigikogu</i>. After receiving such authorisation, the President of the Republic appoints the Government to office. Being a multi-party system, the government of Estonia is not dominated by any single political</p>

	<p>party; rather it consists of numerous parties that must work with each other to form coalition governments.</p> <p>The President of the Republic is the Head of State. The President represents the Republic of Estonia and performs other duties – e.g., the aforementioned duty related to designate a candidate for Prime Minister, and the duty to appoint several high state officials. The President of the Republic is elected by the <i>Riigikogu</i> for a term of five years. Presently the President of the Republic of Estonia is Kersti Kaljulaid, and the next presidential election will be held in 2021.</p>
<p>Legislative System</p>	<p>The Parliament (<i>Riigikogu</i>) is a supreme legislative body and is composed of 101 members elected for a term of four years; all members are elected by proportional representation. The next elections will be held in March 2019.</p> <p>The <i>Riigikogu</i> is the only body with legislative power of laws (in specified cases laws can be adopted by referendum). The right of legislative initiative is entitled for members of the <i>Riigikogu</i>, its factions and committees, the Government and the President (only to amend the Constitution). Draft laws are considered by the <i>Riigikogu</i> on the basis of its Rules of Procedure. The <i>Riigikogu</i> adopts laws in its sessions, but each law must be proclaimed by the President, who also has a veto right. If the President uses the veto right by refusing to proclaim a law, and the <i>Riigikogu</i> again passes the law if it is returned by the President without amendments, the President must either proclaim the law or propose to the Supreme Court to declare the law unconstitutional. If the Supreme Court declares the law constitutional, the President of the Republic must proclaim the law.</p> <p>Other authorised state and municipal institutions are entitled to establish legal acts under the competence prescribed by law.</p> <p>Laws enter into force on the tenth day following their publication in the Official Gazette (<i>Riigi Teataja</i>), except for normative acts of municipal representative and executive bodies, which enter into force on the third day after their publication, or later if established by such acts, and regulations of the Government, which enter into force as published in the Official Gazette, unless the law itself establishes some other date.</p>
<p>Environmental Considerations</p>	<p>The basic principles of environmental protection are established in the Constitution of the Republic of Estonia. Environmental policy is harmonised with European Union policy and the respective legal acts. Therefore, all main directives of the European Union have been implemented into the environmental laws of Estonia. Operations of all activities (e.g., manufacturing, construction, agriculture, etc.) must be consistent with the requirements under legal acts on environmental protection.</p>
<p>Judicial System</p>	<p>First instance courts – County and Administrative Courts. Appellate courts – Tallinn and Tartu District Courts. Cassation court – the Supreme Court.</p>

More detailed information on Estonia is available:
www.investinestonia.com.

2 INVESTMENT REGIME

2.1 INVESTMENT POLICY

The state investment policy is described in the parliament's decision on the Foundations of Estonian Export Policy. The main focus of Estonian Export Policy is raising competitiveness of Estonian businesses regardless of whether they are based on foreign or domestic capital.

In March 2014, the Ministry of Economic Affairs and Communications prepared a new foreign investments and exports action plan for 2014-2020, "Made in Estonia 3.0". The action plan sets out a number of goals, e.g., to increase productivity and employment, and achieve higher revenues from high value-added products and services.

A lot has been done to improve the investment environment in Estonia. The Government of Estonia has created the Estonian Investment Agency (EIA), as part of EAS, which is a government agency promoting foreign investments in Estonia and assisting international companies in finding business opportunities in Estonia (<http://www.investinestonia.com/>).

Estonia has entered into bilateral treaties on the promotion and reciprocal protection of investments with many countries all over the world. Bilateral treaties mostly cover provisions on mutual promotion, protection and non-discrimination of investments and avoidance of double taxation.

"Made in Estonia 3.0" action plan states that the focus is on the following sectors with high potential (i.e. growth sectors):

- Information and Communications Technology (ICT);
- health technologies and services;
- more effective usage of resources.

2.2 E-RESIDENCY

An important initiative that attracts investments is e-Residency. The Republic of Estonia is the first country to offer e-Residency. E-Residency is 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. For example, e-Residents can:

- Digitally sign documents and contracts
- Verify the authenticity of signed documents
- Encrypt and transmit documents securely
- Establish an Estonian company online within a day
- Administer the company from anywhere in the world
- Conduct e-banking and remote money transfers. Establishing an Estonian bank account currently requires one in-person meeting at the bank
- Access online payment service providers
- Declare Estonian taxes online.

For more details, please also see:

<https://e-estonia.com/solutions/e-identity/e-residency>

2.3 INVESTMENT REGULATION

Liberalization of investment conditions has been one of the main goals in the economic programs of the newly liberalized Estonia. In order to encourage foreign direct investment, Estonian government has minimized restrictions on foreign investment, making them practically non-existent. As a result, Estonian markets have become very accessible and non-discriminatory environments for foreign direct investment.

Please also see:

www.investinestonia.com.

2.4 RESTRICTIONS ON FOREIGN INVESTMENTS

Restrictions on Foreign Investment	
Type of restriction	Estonia
Acquisition of land	<p>The following persons have a right to acquire an immovable which contains agricultural or forest land without restrictions:</p> <ul style="list-style-type: none"> • a citizen of Estonia or another country which is an EEA or OECD country (hereinafter Contracting State) • a legal person the seat of which is in a Contracting State in case the immovable contains 10 hectares of agricultural land, forest land or agricultural and forest land in total. <p>A legal person of a Contracting State has the right to acquire an immovable which contains 10 hectares or more of agricultural or forest land if it has for 3 years been engaged in production of agricultural products or forest management respectively.</p>

	<p>A legal person of a Contracting State has the right to acquire an immovable which contains less than 10 hectares of agricultural land and less than 10 hectares of forest land, but 10 hectares or more of agricultural and forest land in total, if it has for 3 years been engaged in production of agricultural products or forest management respectively.</p> <p>If the above requirements are not applicable, a legal person of a Contracting State may acquire an immovable which contains 10 hectares or more of agricultural land, forest land or agricultural and forest land in total only with the authorisation of the council of the local government of the location of the immovable to be acquired.</p> <p>A citizen of a third country (i.e. other countries besides Contracting States) has the right to acquire an immovable which contains agricultural or forest land only with the authorisation of the council of the local government if the citizen has resided in Estonia permanently for a period of at least 6 months immediately before applying for the authorisation or if the citizen has been engaged in Estonia, for one year immediately preceding the year of applying for the authorisation, as a sole proprietor in:</p> <ul style="list-style-type: none"> • production of agricultural products if the immovable to be acquired contains agricultural land, or • forest management or production of agricultural products if the immovable to be acquired contains forest land or both agricultural and forest land. <p>There are further requirements regarding the engagement in production of agricultural products and forest management.</p> <p>Acquisition of land in certain border territories and sea islands by non-EEA investors is possible only upon authorization of the Estonian Government for reasons significant to the state.</p>
Ownership of companies in general	None
Sector-specific restrictions: Financial institutions	None
Sector-specific restrictions: Energy Market	None
Sector-specific restrictions: Defense industry/Security services	None

Sector-specific restrictions: Roads and communications/ Infrastructure	None
Restrictions on the forms of exit strategies	None

2.5 GRANTS AND INCENTIVES AVAILABLE TO INVESTORS

Grants and incentives available to investors	
Features	Estonia
Providers of various types of start-up, innovation, export, tourism grants and guarantees	Enterprise Estonia (see www.eas.ee) KredEx (see www.kredex.ee)
Process for obtaining approval for grants or subsidies	The process for obtaining approval for grants or subsidies in Estonia depends on the program under which the grants or subsidies are offered. In general, the applicant should fill in the respective application form and present it with additional documents (if any) to the competent institution in order to receive grants and / or subsidies.
Timeline for approval	The period to receive approval depends on the particular grant or subsidy that was applied for.
Loans from the government or governmental agencies	In Estonia, the investor can receive loans from the government or governmental agencies. In principle, micro-credits and small loans are the most popular form of financing in this regard. Generally, if the total aid granted to an enterprise over the current and three previous fiscal years exceeds EUR 200,000 or EUR 500,000 in case of aid for undertakings providing services of general economic interest, an approval by the European Commission is required.
Requirement for national's participation	None
Declaration regarding the nature of investment	None
Taxation	Grants allocated to a taxable person for the transfer of goods or services for a price lower than their usual value must be included in the VAT taxable value.

2.6 EXPORT INCENTIVES OR GUARANTEES

Export Incentives or Guarantees	
Features	Estonia
Tax incentives for exports	There are no special tax incentives for exports. However, a 0% rate of value added tax (VAT) is charged on supplies of goods provided that such goods are exported outside the territory of the European Union.
Governmental insurance for exports	There is no governmental insurance for exports from Estonia. However, there is a possibility to receive following credit insurances from KredEx: <ul style="list-style-type: none"> - investment insurance, and credit insurance of short term transactions - production risk insurance - supplier credit insurance - buyer's credit insurance For more details, please see: http://www.kredex.ee/en/enterprise/
Requirement for a national's participation	None

2.7 INVESTMENT FUNDS

Respective legal acts that implement, among others, the directive on Undertakings for Collective Investment in Transferable Securities (the "UCITS Directive") and the directive on Alternative Investment Fund Managers (2011/61/EU), set out the legal requirements for the operation and management of investment funds, as well as the principles for their supervision in Estonia.

Common funds, limited partnership funds, funds established as public limited companies and defined-benefit occupational pension funds are recognised in Estonia. Pension funds in Estonia are subject to additional regulation under the Funded Pensions Act. Two types of pension funds are recognised in Estonia – mandatory and voluntary, both of which can only be established as common funds. The majority of the Estonian investment funds registered at the Estonian Financial Supervision Authority are common funds.

The Estonian Financial Supervision Authority conducts state supervision over investment funds in Estonia. The Estonian Financial Supervision Authority is also responsible for issuing activity licenses to investment fund management companies. The license may be issued for the management of a fund and/or additionally to provide one or more of the following services:

- management of a securities portfolio; provision of advice upon investment in securities;
- safekeeping and administration of units or shares of a fund for a client;
- management of a mandatory pension fund; and

- management of a voluntary pension fund.

2.8 FREE/ SPECIAL ECONOMIC ZONES

There are no free/special economic zones in Estonia.

3 TAX REGIME

3.1 GENERAL INFORMATION

General Information	
Estonia	
Tax Authority	Tax and Customs Board
Most common state taxes	<ul style="list-style-type: none"> • Income tax • Social tax • Value added tax • Land tax • Gambling tax • Customs duties • Excise duties • Heavy goods vehicle tax <p>There are further natural resource taxes, environmental charges, state duties and other taxes and tax-like measures, which are not considered here.</p>
Tax regime specific features	<p>Since 1 January 2000, Estonia has a unique corporate income tax regime. The main difference of the Estonian corporate tax system compared to other countries is the timing of tax liability.</p> <p>In Estonia, income tax is not charged on the accrued profit at the moment of the generation of the profit. Instead, the moment of taxation is postponed until the profits are distributed (payment of dividends; gifts and donations; non-enterprise expenses, which are deemed as hidden profit distribution and fringe benefits.).</p> <p>As of 1 January 2018, credit institutions are subject to advance corporate income tax based on their quarterly results.</p>
Binding rulings	It is possible to ask the tax authority for binding rulings regarding future transactions. However, it is not possible to ask in advance of transfer pricing agreements. Binding rulings are not mandatory to taxpayers.
General anti-tax avoidance system	<p>General anti-tax avoidance rules do exist.</p> <p>Estonian income tax law contains controlled foreign company (CFC) rules. The Estonian Tax Agency is also applying the 'substance over form' principle, which is a widely recognised principle in theory and in court practice. Furthermore,</p>

	<p>Estonia will also apply the measures provided in the Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market as of 1 January 2019. Other than the interest limitation that will be introduced with the implementation of the above described directive, there are no thin capitalization rules in Estonia.</p> <p>Estonia has also transposed the amending Directive 2011/96/ EU (Parent & Subsidiary Directive) into domestic legislation. The aim of respective changes is to limit the application of participation exemption on dividends which are on-distributed on account of dividends received from a subsidiary in cases where the participation exemption is abused.</p>
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3.2 BUSINESS TAXATION

3.2.1 Corporate Income Tax (CIT)

Corporate income tax	
Estonia	
Tax rates	
on earned profits	Undistributed corporate profits are tax-exempt.
on dividends	<p>20/80 charged on the net amount of a profit distribution.</p> <p>As of 2018, regularly distributed dividends are subject to lower income tax rate of 14/86 of the net dividend payment. In such case, additional withholding tax of 7% would apply if the recipient of the dividend is an individual, resident or not. However, if there is a tax treaty in place, the withholding tax could be lower.</p>
Taxable persons	<ul style="list-style-type: none"> • Resident legal persons; • permanent establishment of foreign companies; • European company (SE), if registered in Estonia.
Exemptions	Dividends are not subject to income tax in case the income underlying the dividends is from dividends received from a company which is a resident taxpayer in an EEA member state (incl. Estonia) or Switzerland (except off-shore territories), and provided that the Estonian company owned at least 10% of votes in the subsidiary at the moment of receiving the dividends (measure for avoidance of economic double taxation). The exemption method applies also to dividends received from a subsidiary domiciled in another country if an Estonian company holds at least 10% of the shares or votes in the subsidiary, and income tax has been withheld or paid.
Tax losses	Due to the unique corporate income tax system, losses have no effect on corporate income taxation.
Allowances	Due to the unique corporate income tax system, there is no need for depreciation and amortisation rules.
Tax base	The corporate income tax base consists of the following objects: dividends and other profit distributions (incl. liquidation proceeds and payments made upon the reduction of company's equity or redemption or return of shares); taxable gifts, donations and representation expenses exceeding allowances; transfer pricing

	adjustments; and expenses and payments unrelated to business and fringe benefits.
Capital gains	There is no capital gains tax for Estonian companies.
Filing and payment requirements	The tax period is a calendar month. The declaration (Form "TSD") and its annexes must be submitted to the Tax Agency by the 10th day of the month following the mentioned period (calendar month).
Thin capitalization	There currently are no thin capitalization regulations in Estonia. However, as of 1 January 2019, there will be interest limitation rules applied due to the Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market. However, it should be noted that these rules could only have effect on very limited number of companies.
Transfer pricing	There are special provisions based on the arm's length principle which should be followed. Transactions conducted between associated persons should be carried out at market rates. Transfer pricing regulation is based on the OECD guidelines on transfer pricing rules.

3.2.2 Value Added Tax (VAT)

The VAT system in Estonia is based on the Council Directive 2006/112/EC (recast of the Sixth Directive of the Council of the European Communities (77/388/ECC)). Taxable transactions are the supply of goods and provision of services, which are made in each country, VAT applies also to imported goods or the acquisition of goods from another EU member state. For some cases tax base also includes certain actions carried out for no consideration e.g. giving business gifts and private use of business assets.

VAT	
Estonia	
Taxable persons	<p>Any resident person conducting business in Estonia (including a permanent establishment of a foreign person) with annual taxable supplies exceeding the relevant threshold in such country is required to register as a VAT payer.</p> <p>The VAT registration thresholds are: Estonia: annual taxable supplies exceeds 40,000 EUR. It is also possible in Estonia to register voluntarily as VAT liable. In case a foreign entity creates VAT taxable supply in Estonia and a reverse charge mechanism cannot be applied, the obligation to register for VAT purposes arises at once (i.e., no threshold is established). If a taxable person of another member state is engaged in distance selling to a person of Estonia and the taxable value of the supply of the distance selling exceeds EUR 35,000 as calculated from the beginning of a calendar year, the registration obligation also arises.</p> <p>Foreign entities effecting VAT taxable supplies in Estonia have the obligation to register for VAT purposes (no threshold is established).</p>

Tax rates	The standard VAT rate is 20% in Estonia
	The reduced VAT rate is 9% for: <ul style="list-style-type: none"> • Books; • Medicinal products; • Accommodation services (14% as of 1 January 2017); • Periodical publications.
	The reduced VAT rate is 0% for a number of exceptional supplies, including exports, intra-community supply and supply of aircraft operating on international routes, etc.
Exemptions	Some types of goods and services are not subject to VAT, e.g., certain health and social services, insurance services and sale of real estate (exceptions apply) are exempted in Estonia. Further exemptions include:
	<ul style="list-style-type: none"> • postal services; • services for the protection of children; • transportation of sick, injured or disabled persons; • the leasing and letting of real estate (exceptions apply and under some circumstances an option exists to voluntarily add VAT to the supply); • financial services; • certain educational services; • lottery tickets and the organisation of gambling (exceptions apply); • investment gold and services related to; investment gold.
Filing and payment requirements	The VAT tax period for a VAT liable person is a calendar month. Returns (Form “KMD”) must be completed and the VAT paid monthly by the 20th of the following month.
	Under certain circumstances, VAT liable persons are also obliged to submit monthly (by the 20th of the following month) intra-community supply reports.

3.2.3 Other taxes

Other Taxes	
	Estonia
Real estate tax	There is no real estate tax in Estonia. However, land tax exists (please see below).
Land tax	A national land tax is levied on the owner of land.
	The land tax rate is 0.1 – 2.5% of the assessed value of the land annually. The actual rate within the above boundaries is decided by the respective municipality.
Excise taxes	Estonia has transposed the Energy Taxation Directive into its legislation.
	Under certain circumstances the following goods are subject to excise duties: <ul style="list-style-type: none"> • electricity; • alcohol; • tobacco; • fuel.

	There is also an excise duty on packaging. Excise duty is levied on filled sales packaging (packaging which constitutes a sales unit to end-users). Packaging means all products made of any materials of any nature to be used for the containment, protection, handling, delivery and presentation of goods during the entire life cycle of these goods. Excise duty need not to be paid if packaging is recovered in quantities as set out by law. Rates of excise duties vary.
Capital taxes	None
Gambling tax	Gambling tax is imposed on amounts received from lottery, promotional lottery, toto (totalizator + betting), remote gambling and tournaments of game of chance. Tax is charged also on gambling tables and machines used for games of chance and games of skill located on licensed premises. Tax is paid by authorised operators. Tax rates vary.
State-owned land lease rent	None

3.3 TAXATION OF RESIDENTS

3.3.1 Personal Income Tax (PIT)

Personal income tax	
Estonia	
Tax residence rules	<p>As a general rule, two main conditions describe a resident in Estonia:</p> <ul style="list-style-type: none"> • permanent place of residence in Estonia; • the individual stays in Estonia, continuously or intermittently, for 183 or more days during the tax period or 12 consecutive calendar months. <p>Additional criteria are used in Estonia as presented below.</p> <p>A person shall be deemed to be a resident as of the date of his or her arrival in Estonia.</p> <p>Estonian state public servants who are in a foreign service are also deemed to be Estonian residents.</p>
Tax base	<p>Residents are subject to tax on their worldwide income. In Estonia, taxable income includes, among others, employment income, interest, royalties and rental income. Pensions are taxable income in Estonia. The following types of income are also taxable:</p> <ul style="list-style-type: none"> • Income from individual business activity; • Employment income; • Interest; • Royalties; • Rental income; • Pensions; • Capital gains (exceptions exist);

	<ul style="list-style-type: none"> Income derived from off-shore territories; Scholarships.
Allowances	<p><u>Non-taxable income:</u></p> <ul style="list-style-type: none"> Income from the sale of immovable property in case the person uses it as her/his place of residence until transfer (this tax exemption is not applied to more than one transfer in two years); Accepted estate; Property returned in the course of ownership reform; Income from the transfer of movable property in personal use; Scholarships and grants financed from the state budget or paid on the basis of law; Gifts and donations received from a natural person or a state or local government authority; Winnings from gambling organised on the basis of an operating permit or registration. <p>Resident taxpayers are allowed to make certain deductions from the taxable income for example:</p> <ul style="list-style-type: none"> housing loan interest; training certain educational expenses; certain private pension fund and insurance fund payments; certain gifts and donations made. <p><u>Tax exempt amount:</u> The basic exemption deductible from the income of a resident natural person during a period of taxation (calendar year) is up to EUR 500 in a month and up TO EUR 6,000 in a year, but decreasing depending on the total income amount. If the total amount of all income is EUR 25,200 in a year or more, there is no right to basic exemption at all. A parent or guardian of a child or other person taking care of a child on the basis of family law, who takes care of two or more minor children may deduct an increased basic exemption from his or her income in the period of taxation, starting with the second child. The additional deduction is limited to EUR 1,848 per taxpayer during a period of taxation.</p>
Tax rate	20%; 10% for certain payments done on the basis of the Funded Pensions Act.
Filing and payment requirements	A resident natural person is required to submit an income tax return to the Tax Agency concerning the income of a period of taxation not later than by 31 March of the year following the period of taxation. It is possible to submit an income tax return through the e-service of the Tax Agency. The income tax to be paid must be paid not later than 1 July. Business income and profit deriving from the sale of assets must be paid not later than 1 October.
Taxable period	Calendar year

3.3.2 Social Security Contributions

Social security contributions	
	Estonia

Social tax	Social tax is paid at a rate of 33% on all payments made to employees for performed salaried work. Employers pay the social tax in full. There is a minimum obligation on social tax to be paid (EUR 470 in 2018) envisaged by the budget act annually.
Other	<p>An unemployment insurance premium is withheld at a rate of 1.6% of the gross salary of the employee. In addition, employers pay the unemployment insurance premium at a rate of 0.8% of the sum of gross salaries monthly.</p> <p>A funded pension payment is withheld by the employer at a rate of 2% of the gross salary of the employee (if applicable).</p>

3.4 TAXATION OF NON-RESIDENTS

Taxation of non-residents	
	Estonia
General	Non-residents (individuals and legal entities) have limited tax liability in Estonia—only source income is taxed. The current section does not apply if business is conducted through a permanent establishment of a foreign entity or through a fixed base of the individual.
Capital gain	<p>Income tax is charged on capital gains arising from the transfer of:</p> <ul style="list-style-type: none"> • real estate located in Estonia; • movable property subject to entry in an Estonian register (cars, vessels, etc.); • certain types of encumbrances of real estate located in Estonia; • shares of a real estate holding company.
Withholding taxes	<p>Dividends: In Estonia, dividends payable to non-residents are not subject to additional withholding tax, unless the recipient of the dividend is an individual. In such case, the domestic law provides a 7% withholding tax which may be reduced if a tax treaty provides more favourable tax rate (e.g. 5% or 0%).</p> <p>Interest: There is no withholding tax on interest payments to nonresidents (unless transfer pricing regulations apply).</p>
Royalties	<p>Royalties paid to non-residents are subject to 10% withholding tax under Estonian law.</p> <p>However, in Estonia, if paid to foreign legal persons, registered in the EU or Switzerland, royalties are not subject to withholding tax provided that the relevant Estonian legal person and the foreign legal person have been associated legal persons for no less than two years.</p> <p>As of 1 January 2016, no withholding tax applies to royalties paid to unaffiliated non-resident located in one of the following countries: Belgium, Spain, Netherlands, Ireland, Iceland, Italy, Canada, Norway, France, Sweden, Finland, the UK, Denmark and Hungary. This was triggered by the Amending Protocol of the Convention between Estonia and Switzerland effective from the same date. Additionally, some tax treaties (e.g. Luxembourg, Cyprus) do not provide a withholding tax to royalties at all. Thus, royalties paid to tax residents of these countries are no longer subject to withholding tax.</p>
Tax treaties	Estonia has double taxation avoidance treaties with approximately 60 countries. Generally, the double taxation treaties are based on the OECD Model Convention

4 FINANCIAL FACILITIES

The activities of the following financial institutions are regulated by law and supervised by the Estonian Financial Supervision Authority:

- credit institutions;
- creditors (credit providers);
- credit intermediaries;
- insurance companies;
- insurance intermediaries;
- fund management companies;
- investment and pension funds;
- operators of regulated securities markets and securities settlement systems;
- investment firms;
- e-money institutions;
- payment service providers.

Bank Account	
Requirements for opening a bank account	<p>There is no general requirement for an investor to open and maintain a bank account in Estonia. It may be, however, practical to have a bank account in Estonia.</p> <p>The requirements are different for Estonian, EU and other companies and slightly different across banks. In order to open a bank account, a legal person registered in Estonia will have to provide the bank with the following documentation:</p> <ul style="list-style-type: none"> • extract from the business register or a notarised copy; • identification of the company’s legal representatives. <p>Foreign companies may be required to submit other documents in order to satisfy the bank’s relevant “know your customer” and anti-money laundering procedures. Legalizing or certification by <i>Apostille</i> may be necessary. Banks have a right to ask for the translation of the documents and a right to require approval of the translation by a sworn translator or notary public.</p> <p>By implementation of directive (EU) 2015/849 on the prevention of use of the financial system for the purpose of money laundering and terrorist prevention, the customer (legal person) will commonly have to complete a relevant application form, provide documentation on the ultimate beneficiary of the account funds and present other documents required by the bank to ensure effective measures to observe suspicious transactions.</p> <p>A natural person opening a bank account as a general rule will have to provide the bank with a document evidencing his/her identity (e.g. passport, driving licence, ID card) and declaration in a form established by the bank.</p>

	Estonian Banks consider the connection with Estonia as a very important pre-condition for opening an account for non-residents.
Restrictions on investor's use of the account	Estonian law does not impose any specific restrictions on the use of an investor's bank accounts. Certain restrictions may be imposed by the bank with which a bank account is opened.
Bank loans	<p>In general, there are no restrictions prohibiting the provision of loans to foreign investors. However, certain requirements imposed by banks themselves or on banks by the regulator may in fact prevent the issuance of a loan.</p> <p>This may include a case where a bank is not able to establish the identity of the client or the beneficiary of a transaction (the actual investor), as is required by the Law on the Prevention of Money Laundering and Terrorist Financing, or there are circumstances indicating money laundering or terrorist financing, e.g., where the transaction is complex, high-value and unusual and does not have any reasonable economic purpose. It is likely that the investor will not be able to receive the bank loan if she/he does not have a bank account, does not operate financial activities in Estonia or does not own real estate or any other property in compliance with the requirements of the bank.</p>

Financial system

The central bank (*Eesti Pank*) focuses on ensuring the operation of the entire financial system of Estonia. Supervision of single financial institutions and the financial market is the responsibility of the Estonian Financial Supervision Authority. Participants of the financial system subject to the supervision by the Estonian Financial Supervision Authority are listed above.

Banking system

The Estonian banking system is decentralised and consists of a number of commercial banks. As of 7 June 2018, there were eight commercial banks, eight foreign bank branches, over 300 credit institutions providing cross-border services in Estonia without an Estonian branch and more than 20 registered credit unions operating in Estonia.

5 EXCHANGE CONTROLS

5.1 BUSINESS TRANSACTIONS WITH NATIONALS, RESIDENTS OR NON-RESIDENTS

Business Transactions with Nationals, Residents or Non-Residents	
Estonia	
Definitions of nationals,	Estonian nationals are natural persons who hold Estonian citizenship. The citizenship may be acquired by birth or later on the grounds established by the citizenship act of the respective country. With the exception of individual cases,

residents and non-residents	<p>no person may be a citizen of the Republic of Estonia and another country at the same time.</p> <p>In Estonia, according to the Aliens Act, a permanent resident is defined as an Estonian citizen residing in Estonia or an alien residing in Estonia who holds a long-term resident's residence permit in Estonia or a permanent right of residence. A non-resident is a person who does not belong to either of the above groups.</p>
Restrictions on conducting business with nationals, residents, non-residents	<p>In general, there are no restrictions on conducting business with nationals, residents or non-residents, however, the parties must ensure that the business transaction complies with the applicable requirements of legal acts.</p> <p>Prior to conducting business with foreign countries, it should be checked whether there are any international sanctions imposed (e.g., by the UN, EU, OSCE and other international organizations to which Estonia is a member) and any prohibitions or restrictions originating from them.</p>
Reporting requirements	<p>Specific reporting requirements may be established depending on a sector in which a legal entity operates or the type of legal entity, e.g., specific reporting requirements are established for credit institutions, air operators, etc.</p>
Loans from Nationals, Residents or Non-Residents	<p>There are no restrictions prohibiting an investor from receiving loans from nationals, residents or non-residents in Estonia.</p>

5.2 MONEY TRANSFER

Money Transfer	
Estonia	
Determination of exchange rates	The Euro is the valid currency in Estonia as from 1 January 2011.
Restrictions on the transfer of money into or out of the country (hard currency)	<p>There are no specific restrictions on transferring currency into or out of Estonia.</p> <p>Each natural person entering or leaving the EU and carrying money in cash (including checks, promissory notes and money orders) amounting to EUR 10,000 or more shall declare that sum to the competent authorities of the member state through which he/she is entering or leaving.</p>
Restrictions on the remittance of profits abroad	<p>There are no restrictions prohibiting the transfer of profits to foreign countries. After paying all taxes as required under the laws, an investor may transfer its profit to another country without any restrictions.</p>
Reporting requirements	None

6 ESTABLISHING A BUSINESS

Foreign investors interested in starting commercial operations in Estonia have three main possibilities to conduct cross border business:

- establishing a local subsidiary;
- establishing a branch of a foreign company;
- providing cross-border services.

The freedom to provide cross border services, set out in article 56 of the Treaty on the Functioning of the EU, enables an economic operator providing services in one EU member state to offer services on a temporary basis in another EU Member State, without having to be established. There are some exceptional requirements for providing certain services, for example, financial services.

If a foreign company wishes to permanently offer goods or services in its own name in Estonia, it may open a branch or establish a subsidiary in any or all of the countries. A branch is not a legal corporate entity separate from the foreign company, whereas a subsidiary is a separate company.

The company law of Estonia is based on the continental European civil law model and has been influenced by the German legal system. The basic principles of entrepreneurial activity are set out in relevant laws and are in accordance with the best European traditions and standards.

6.1 REQUIREMENTS FOR THE ESTABLISHMENT OF A BUSINESS

6.1.1 *Alien Business law*

Alien Business Law	
Features	Estonia
Application of alien business law	Foreign law may be applied to civil relationships where it is so provided for by international treaties or agreements between the parties or the laws of Estonia . Normally, local law is applicable for business activities performed in Estonia.
Registration or reporting requirements	None

6.1.2 *Government Approvals, Licences and Permits*

Government Approvals, Licences and Permits	
Features	Estonia
Requirements to obtain government approvals,	In Estonia, government approvals may be required, depending on the type of activities (e.g., credit institutions, electricity undertakings, etc.). In Estonia , undertakings dealing with certain activities are required to register with the respective registers.

licences and permits	
Timeline to receive approvals, licences and permits	The timeline for particular approvals may vary depending on the anticipated activities. For example, in Estonia , issuance of an activity license for a credit institution may take up to 12 months. Nevertheless, this is rather exceptional, and most licenses are issued within a month.
Fees involved	Certain application fees are applicable. Legal advice fees should also be taken into account (if any).
Application	Typical forms of applications are used. The investor should present these completed applications with other necessary documents to the competent institutions.

6.1.3 Environmental Regulations

In Estonia, certain activities specified in legal acts are subject to Environmental Impact Assessment (EIA), Strategic Environmental Assessment (SEA) and Integrated Pollution Prevention and Control (IPPC) permit regulation. If a particular activity falls within a list specified in legal acts, the enterprise aimed to perform such activity should exercise EIA and (or) SEA procedures (the price of which is agreed in a separate private agreement with service providers) and (or) to gain an IPPC permit (which is free of charge).

6.1.4 Insurance

Insurance	
	Estonia
Regulation	In general, there are no requirements for enterprises to carry insurance, except for enterprises which are involved in certain types of activities which require the mandatory coverage to be acquired.
Mandatory insurance	Mandatory insurances are as from time to time determined by relevant laws in the respective country.
	A non-exhaustive list of mandatory civil liability insurances for the following persons is provided below: <ul style="list-style-type: none"> • Vehicle owners (Motor 3rd Party Liability); • Insurance brokers and dependent agents; • Audit companies; • Attorneys; • Bailiffs; • Notary public; • Patent agents; • Operations of dangerous waste management company; • Certification services providers; • Liquid fuel sellers, whose share capital is below EUR 31,950, etc.

State monopoly on insurance	None
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6.1.5 Government Participation

Governmental Participation	
Features	Estonia
Governmental participation	In Estonia , the government does not seek to participate in the ownership of newly established private companies, irrespective of their area of activities. The Government participates in certain existing companies, which are strategically important for the country. For example, there are companies owned fully or partially by the state in the following sectors: postal services, energy, transport, etc.
Investors' liability to partners, investors or others	There are no specific requirements, rights or obligations of private investors participating in companies of such or similar status.
Restriction of thin capitalization	None
Tax consequences	None

6.2 FORMS OF BUSINESS ENTITIES

Forms of Business Entities	
Type	Estonia
General information	The most popular form of company in Estonia is a private limited company (OÜ in Estonia). Public limited companies are also very popular in Estonia and a quite large proportion of small business is carried out by personal enterprises in Estonia .
Private limited company	<i>Osaühing, OÜ</i>
Public limited company	<i>Aktsiaselts, AS</i>
Personal enterprise	<i>Füüsilisest isikust ettevõtja, FIE</i>
General partnership	<i>Täisühing, TÜ</i>
Limited partnership	<i>Usaldusühing, UÜ</i>

Societas Europae	<i>Euroopa äriühing</i>
European Economic Interest Grouping	<i>Euroopa Majandushuviühing</i>
Commercial association / Co-operative company	<i>Tulundusühistu</i>
Other	None

6.2.1 Private Limited Company

The Features of Private Limited Companies	
Features	Estonia
Type of entity	Private limited company (<i>Osaühing, OÜ</i>)
Minimum authorized sharecapital	EUR 2,500
Maximum number of shareholders	Unlimited
Minimum number of shareholders (incorporators)	One
Liability of shareholders	Shareholders in Estonia are not personally liable, except in limited cases of causing damage to the company by unfair or intentional actions or other limited cases prescribed by the law.
Formation of authorized capital	Contributions may be monetary or in kind.
System of corporate bodies	The obligatory corporate bodies are: <ul style="list-style-type: none"> • The general meeting of shareholders; • The management board <p>The optional corporate bodies are:</p> <ul style="list-style-type: none"> • The supervisory board.
Registration of shares	Registration of shares in the Estonian Register of Securities is optional.
Transfer of shares	There are no restrictions on the transfer of shares in Estonia . Other shareholders have the right of pre-emption pursuant to the laws of Estonia.
Squeeze-out	N/A
Public trading in securities	Prohibited

Restrictions on thin capitalisation	None
Requirements for an Estonian or related state national to be a participant, manager or director	None
Audit	<p>Annual financial statements of a private limited company must be audited if it is stipulated in the articles of association, or if at least two of the following conditions are satisfied:</p> <ul style="list-style-type: none"> • Net turnover is EUR 4 million; • The value of the assets in the balance sheet is EUR 2 million; • Average number of employees in the year – 50 persons. <p>Or, if at least one of the following conditions is satisfied:</p> <ul style="list-style-type: none"> • Net turnover is EUR 12 million; • The value of the assets in the balance sheet is EUR 6 million; • Average number of employees in the year is 180 persons.

6.2.2 Public Limited Company

The Features of Public Limited Companies	
Features	Estonia
Type of entity	Public limited company (<i>Aktsiaselts, AS</i>)
Minimum authorized (share) capital	EUR 25,000
Maximum number of shareholders	Unlimited
Minimum number of shareholders	One
Liability of shareholders	Shareholders in Estonia are not personally liable, except in limited cases of causing damage to the company by unfair or intentional actions or other cases prescribed by the law.
Formation of authorized capital	Contributions may be monetary or in kind.
System of corporate bodies	<p>Obligatory corporate bodies are:</p> <ul style="list-style-type: none"> • The general meeting of the shareholders; • The supervisory board; • The management board.

Registration of shares	It is mandatory in Estonia to register shares in relevant registers (Estonian Register of Securities).
Transfer of shares	There are no restrictions on transfers of shares in Estonia. In Estonia , it is possible to set out the right of preemption of shareholders in the articles of association.
Squeeze-out	In Estonia, a shareholder who has a large majority of shares (90% in Estonia) may apply to take over the shares belonging to the minority shareholders in return for fair monetary compensation.
Public trading in securities	Allowed
Restrictions on thin capitalisation	None
Requirements for an Estonian or related state national to be a participant, manager or director	None
Audit	An auditor is always obligatory for public limited companies in Estonia.

6.2.3 Joint Ventures

The Features of Joint Ventures	
Features	Estonia
Concept	There is no specific concept of a joint venture in Estonia. An agreement creating a joint venture can be concluded on various terms suitable to the joint venture partners.
Registration or incorporation procedure	N/A
Fees involved	Only the costs of legal advisers and registration fees (if any) should be taken into account.
Requirements for a national's participation	N/A

Investor's potential liability	N/A
Restrictions on thin capitalisation	N/A
Tax consequences	Joint ventures do not constitute separate legal entities in Estonia; each member of the joint venture is a separate tax entity.

6.2.4 Branches /Representative Offices

The Features of Branches and Representative Offices	
Features	Estonia
Timeline for establishment	The establishment procedure of a branch may take approx. 2 – 3 weeks (deadline for the registry proceedings is 5 working days from receiving the full application but it takes more time to put together all the relevant documents). If the branch will be established via the Commercial Register electronic system, the process may take less time.
Fees involved	<p>Legal advisers' fees should be taken into account also (if any).</p> <p>Fees for a notary public and for registration must be taken into account.</p> <p>If the branch will be established using the Commercial Register electronic system, then only the registration fee must be paid. This option can be used if all necessary documents are signed electronically (as of summer 2018 this is supported for the holders of Estonian, Finnish, Portuguese, Lithuanian, Latvian and Belgian ID cards and means of authentication issued by Switzerland, Spain, Greece, Iceland, Italy, Lithuania, Luxembourg, Netherlands, Portugal, Sweden, Slovenia, Slovakia, Great Britain and Austria).</p>
Investor's potential liability	A branch is not a legal person. The foreign company will be liable for the obligations arising from the activities of the branch.
Restrictions on capitalisation	None
Requirements for a national's participation	None
Tax consequences	Subsidiaries established in the territory of Estonia are treated as separate legal entities for the purpose of Estonian CIT. There is a special regulation of taxation regarding the income taxation of permanent establishments. The permanent establishment's profits are subject to CIT in the similar way as are the profits of the Estonian company's profit.

6.3 ESTABLISHMENT PROCEDURES

As a general rule, the registration process takes a couple of weeks (deadline for the registry proceedings is 5 working days from receiving the full application but it takes more time to put together all the relevant documents) in Estonia, but can be completed sooner.

In Estonia, private limited companies can also be established and registered electronically within one day (or in the following working day at the latest), if all the necessary documents can be submitted to the Commercial Register via the Commercial Register electronic system and signed electronically by the founders of the company (as of summer 2018 this is supported for the holders of Estonian, Finnish, Portuguese, Lithuanian, Latvian and Belgian ID cards and means of authentication issued by Switzerland, Spain, Greece, Iceland, Italy, Lithuania, Luxembourg, Netherlands, Portugal, Sweden, Slovenia, Slovakia, Great Britain and Austria). Since 1 January 2011, physical persons may establish private limited companies without paying in the share capital upon foundation. There are some restrictions regarding this option. These kinds of private limited companies can be founded only by natural persons, and the share capital of the company cannot exceed EUR 25,000. Also, until the complete payment of the contributions by all the shareholders, the private limited company may neither increase nor decrease the share capital, and in addition, the private limited company may not make any disbursements to the shareholders. The prohibition on disbursements does not include any salary and other remuneration paid to the shareholder.

The measures required for the foundation of a private limited or public limited companies are outlined in the following charts.

Establishment procedures			
Necessary steps	General	Formalities	Costs
Choosing a business name	The business name must indicate the organisational form of the company – <i>osaühing / OÜ</i> or <i>aktsiaselts / AS</i> . The business name of a company must be clearly distinguishable from other business names entered in the Commercial Register in Estonia and comply with other statutory requirements	None	
Execution of the formation documents	The incorporator (s) must conclude a memorandum of association with the articles of association as an annex.	The document must be notarised and signed by all incorporators.	The notary fee depends on the amount of the share capital of the future company.

	The memorandum of association may also include an application for entry in the Commercial Register		
Opening a start-up account	A start-up account is a bank account opened for the company being founded. The monetary contributions to the share capital of the company are deposited in the start-up account. A start-up account may not be used to make bank transfers or cash withdrawals.	The start-up account can be opened by a founder or an authorised representative under a notarised power of attorney at a bank office.	Free of charge.
Payment of share capital	The shareholders must pay for the shares in full before submission of an application for entry in the Commercial Register. A contribution may be monetary or in kind. A share must be paid for in money, unless the articles of association allow contribution in kind.	A monetary contribution needs to be made in accordance with relevant bank requirements. A contribution in kind needs to be effected in accordance with the valuation method set forth in the laws (and in the articles of association, if applicable).	Minor bank transfer fees may need to be paid. Auditing fees may be incurred in case the valuation of the contribution in kind must be audited.
Registration in the Commercial Register	The application for entry must be filed within one year from the execution of the memorandum of association. The application for entry is reviewed by the Commercial Register within five working days after receipt of the application and other relevant documents for incorporation of the company.	The application must be notarised and signed by all members of the management board. A notarised memorandum of association may also contain an application for entry in the register. The company can be registered electronically if all persons related to establishment are able to sign the application and establishment documents digitally and the company is established without an immediate share capital contribution or with a	A state fee for registration is EUR 145 and, in the case of entry in the register based on an application for entry by expedited processing (via the Commercial Register electronic system), EUR 190.

		monetary contribution made electronically.	
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7 LICENSING AND REPORTING

Companies operating in some areas of activity are subject to special registration and licensing requirements. The below charts include a non-exhaustive list of the most common activities subject to specific licensing and registration requirements and a short introduction into the application procedure for the relevant licenses and permits in Estonia.

A company, which needs to have a registration or activity licence pursuant to law, must submit a registration application or application for the license to the relevant administrative authority. A state fee must be paid for the review of the application.

The procedure for obtaining licenses and registrations differs depending on the particular area of activity. The Register of Economic Activities keeps account of all companies operating in areas of economic activity requiring registration or an activity licence concerning which it is required to disclose information in the Register of Economic Activities.

List of Economic Areas Requiring Registration or Licensing in Estonia	
The most common types of activities requiring registration in the Register of Economic Activities	<ul style="list-style-type: none"> • Wholesale and retail trade, catering services, operation of market places, fairs; • Accommodation services; • Employment mediation services; • Tourism (operating as a travel undertaking); • Building (construction, designing, geotechnical and geodetic surveys, expert assessments of a building design's documentation, expert assessments of construction works, project management, owner supervision, energy performance labels of building, energy audit); • Financial services, including currency exchange, alternative payment methods, loans, leasing, warranty services, consultancy; • Industry (electrical work, pressure equipment work, gas work, construction of gas installations, installation of lifts, lifting equipment work, engineering work, technical inspection of electrical installations, assessment and attestation of compliance of persons); • Liquid fuel (export, import, sale, storage).
The most common types of activities requiring an activity licence	<ul style="list-style-type: none"> • Energy (electricity generation, distribution, sale, gas import, sale and distribution; heat generation, distribution and sale); • Sea transport services and shipping agency; • Railways (railway infrastructure operation, passenger and goods transport services, technical maintenance); • Taxi, public transport; • Pharmaceuticals production and wholesale, operation of pharmacy, clinical trials; • Gambling; • Security services; • Insurance activities;

	<ul style="list-style-type: none"> • Financial services, including activities related to credit institutions, fund management, investment activities, securities market; • Postal services (including universal postal service); • Activities related to weapons, ammunition and explosives; • Customs agency; • Mining, geological investigation; • Television and radio services.
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8 REPORTING REQUIREMENTS

The mandatory reporting requirements applicable to all limited liability companies include the preparation and submission of an annual report. Please see below the necessary steps and the instances responsible for them.

Annual Reports of Limited Liability Companies	
Steps in relation to Annual Reports	Estonia
Preparation	After the end of the financial year, public or private limited companies must prepare an annual report in addition to annual financial statements. The responsible body/person in Estonia is the management board.
Auditing	An auditor is always obligatory for public limited companies in Estonia . For private limited companies in Estonia , the auditor's report must be prepared in case of exceeding certain turnover, assets and number of employees' thresholds. For more details, please also see Section 6.2.
Approval	In Estonia , the management board submits the annual report to the supervisory board (if existing) for review and opinion, and to the general meeting for approval.
Filing	The management board must submit the approved annual report to the Commercial Register not later than six months after the end of the financial year.

9 PUBLIC TRADING IN SECURITIES

The NASDAQ OMX Tallinn stock exchange (Estonia) is the main regulated securities market in Estonia. Additionally, the alternative market First North was launched in the Baltics in 2007, which is operated by the different exchanges within Nasdaq. It does not have the legal status of an EU-regulated market.

At present, there is not yet a unified Baltic stock exchange. However, NASDAQ OMX Baltic facilitates efficient cross-border trading and settlement between the exchanges in Estonia, Latvia and Lithuania, thereby making the Baltic region more accessible and attractive to investors and listed companies. By utilizing a common trading system, as well as common rules and requirements between the exchanges, and offering an advanced delivery versus payment (DVP) link, investors are able to trade and settle efficiently and seamlessly between the three markets. All three Baltic exchanges have the same trading day structure and trading hours.

10 ESTONIAN SECURITIES MARKETS

Estonia has adopted legislative framework for the regulation of the public trade of securities, the activities of investment and brokerage firms, the provision of investment services, operators of regulated market and the range of responsibilities of participants of financial markets. The relevant laws aim to ensure the transparent and efficient operation of the securities markets of Estonia. The relevant laws of Estonia comply with EU requirements and enable EU securities brokerage firms to deal on the market on a freedom to provide services basis, without establishing a local subsidiary. The functioning and the participants of the securities market are subject to supervision of the Estonian Financial Supervision Authority.

Special requirements for securities trading	
Procedure	Estonia
Listing/IPO	<ul style="list-style-type: none"> • In case of IPO or listing of securities, the issuer or offeror is obliged to prepare and publish a prospectus in accordance with EU Prospectus Directive; • The prospectus must be registered with the Financial Supervision Authority of each state; • Certain exceptions are listed by law when publishing a prospectus is not required (broadly, in accordance with EU Prospectus Directive)
Takeover bids	<p>A person acquiring dominant influence over the target issuer, either directly or together with other persons acting in concert, is required to make a takeover bid for all shares of the target.</p> <p>The purchase price of a share upon a mandatory takeover bid must be fair and must be calculated taking into account the various requirements stipulated by law. The Financial Supervision Authority may grant an exemption from the obligation to make a takeover bid in cases provided by law.</p>

Requirements for Publicly Traded Companies

Steps	Estonia
On-going reporting requirements	In Estonia, the issuer must disclose periodical reports including its annual report, semi-annual report and interim report.
	The issuer is required to disclose inside information under the circumstances stipulated in the directive 596/2014/EU.
Notification on acquisition of blocks of shares	In Estonia, a notification obligation applies in case the threshold reaches, exceeds or falls below 5%, 10%, 15% 20%, 25%, 1/3, 50% and 2/3.
Tender offer	The obligation to make a takeover bid arises when a person has gained dominant influence over the target issuer either directly or together with other persons acting in concert.
	A takeover bid for all shares of the target issuer must be made within twenty days as of gaining dominant influence.
Mandatory sale and purchase of shares	Under the Estonian Securities Market Act, a majority shareholder having acquired at least 9/10 of the share capital as a result of a takeover bid may rely on squeeze-out provisions, if the squeeze out is supported by a decision of the shareholders holding at least 9/10 of the share capital. For the minority shareholders who decided not to sell their shares during the takeover bid, the term of acceptance of the takeover bid is deemed to be extended by three months as of, and provided that, the takeover bid resulted in the acquirer obtaining 9/10 of the voting capital.

11 OPERATION OF THE BUSINESS

11.1 ADVERTISING AND SALES PROMOTION

Advertising and Sales Promotion	
	Estonia
General advertising requirements	<p>Advertising must be clearly distinguishable from other information upon ordinary inspection. The content, design and presentation of advertising must ensure that it is recognisable as advertising.</p> <p>Advertising must contain the clearly distinguishable name of the person that has commissioned the advertising and the trade mark or domain name which is being or has been registered in Estonia or the European Community.</p>
Restrictions on advertising of certain products	<p>In Estonia, advertisement of some goods and services is prohibited altogether, and in respect of others it is restricted partially.</p> <p>In Estonia, it is prohibited to advertise:</p>

	<ul style="list-style-type: none"> • tobacco products (and products used similarly to tobacco products or components thereof); • trustees in bankruptcy, notaries, bailiffs; • narcotic drugs and psychotropic substances (medicinal products which are narcotic drugs or psychotropic substances may be advertised to persons qualified to prescribe medicinal products, dispensing chemists and pharmacists); • weapons and ammunition; • explosive substances and pyrotechnic articles; • health services; • infant formulae; • works which contain pornography or promote violence or cruelty; and • services offered for satisfaction of sexual desire. <p><u>In Estonia, restrictions apply to the advertising of:</u></p> <ul style="list-style-type: none"> • plant protection products; • biocidal products; • alcohol; • financial services; • advocates, sworn translators and patent attorneys; and • gambling.
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11.2 E-COMMERCE

E-Commerce is widely used by companies and consumers in Estonia. Selling products and providing services using contracts concluded via the internet is specifically regulated in Estonia.

E-Commerce	
	Estonia
Sales promotion to consumers via e-mail	<p>In Estonia, promotional e-mails may be sent to customers if the e-mail addresses have been obtained in the context of sale of a product or a service and the promotional e-mails are sent for the direct marketing of similar products or services and the following conditions are met:</p> <ul style="list-style-type: none"> • upon original collection of the e-mail data, the consumer was given a clear and distinct opportunity to prohibit the use of its e-mail address; • each and every time a promotional e-mail is sent, the consumer is again given a clear and distinct opportunity to prohibit the use of its e-mail address; • the consumer can exercise the right to prohibit the use of its e-mail address over an electronic communications network. <p>If an e-mail address was not obtained in the context of sale of a product or a service, using such electronic contact details for marketing communications is allowed only with the respective person's prior consent.</p>
Digital signatures	Generally, in Estonia, a digital signature that meets specific requirements has the same legal force as a hand-written signature.
Personal data processing	<p>Generally, the processing of personal data is permitted if:</p> <ul style="list-style-type: none"> • the processing is carried out with the person's consent; • it is necessary for the performance of a contract with that person; • it is necessary for compliance with a legal obligation; • it is necessary in order to protect the vital interests of the person; • it is necessary to ensure the public interest or in the exercise of official authority • it is necessary for the purposes of the legitimate interests pursued by the controller or by a third party, except where such interests are overridden by the interests or fundamental rights and freedoms of the data subject which require protection of personal data. <p>Processing of sensitive personal data and personal identification codes is subject to additional (more restrictive) conditions in Estonia.</p>

11.3 COMMERCIAL AGREEMENTS

Generally, the regulatory environment for conducting business in Estonia is liberal. The basis for regulation of contractual relationships in Estonia is the principle of "freedom to contract", which includes the freedom to decide whether, with whom, on what terms and in which form to conclude a contract. However, in addition to the free will of the parties and the principle of party autonomy, it is important to protect the interests of the weaker party. Thus, in Estonia's legal system, there are mechanisms to protect weaker parties from the principle of freedom to contract in order to ensure justice in contractual relationships.

Agreements	
	Estonia

Form	Generally, there are no requirements in respect of the form of commercial agreements in Estonia. There are, however, a number of exceptions, in which case agreements may need to be notarised or be produced in written form, for example, real estate agreements, share purchase agreements regarding a private limited company; employment contracts and author's contracts.
Language of the contract	Contracts may be drafted in any language mutually agreed on by the parties.
Pan-Baltic agreements	In general, it is possible to draft a common pan-Baltic commercial agreement (for example, distribution, agency, sale and franchise agreements).
Governing law of the agreement	In Estonia, the parties can choose the governing law of an agreement. In certain cases, mandatory legal norms of the relevant country apply notwithstanding the parties' choice of law.
Electronic agreements	There are special rules for the entry into electronic and other distance agreements with consumers. These are harmonised with EU laws (Directives 97/7/EC, 2002/65/EC, 2000/31/EC).

11.4 CONSUMER AGREEMENTS

In the context of consumer agreements, there are a number of restrictions on the commercial freedom of businesses to contract. The laws of Estonia set out certain mandatory requirements which cannot be derogated from.

Consumer Agreements	
Indication of the price of goods	<p>In Estonia, the selling price and the unit price of goods sold to consumers must be indicated:</p> <ul style="list-style-type: none"> • in writing; • in currency valid in Estonia; • clearly and legibly; • unambiguously; • easily identifiably; • on the goods or their sales packaging or displayed in close proximity to the goods; • The price indicated has to be the final price payable by the consumer, i.e. it has to include all related taxes.
Labelling	<p>The labelling of goods in Estonia must be:</p> <ul style="list-style-type: none"> • legible; • understandable; • unambiguous; • in writing • in Estonian. <p>Exceptionally, instructive or warning drawings, pictograms, signs and symbols may also be used, provided that the information they communicate is understandable to consumers.</p>

	<p>In Estonia, there are specific requirements applicable to labelling of the following categories of goods (this is a non-exhaustive list):</p> <ul style="list-style-type: none"> • food products; • electrical and electronic equipment; • pharmaceuticals; • chemicals; • batteries and storage cells; • footwear and clothing; • cosmetic products; • toys. <p>Specific requirements for labelling also apply to motor vehicles and individual safety devices.</p>
Instruction manual	<p>In Estonia, a producer's instruction manual needs to be provided for goods which are technically complex, contain hazardous substances or require special skills to use.</p> <p>The instruction manual must be written in Estonian language.</p>
Safety of goods	<p>In Estonia, the producer is responsible for the safety of goods put into circulation.</p> <p>In Estonia, the law specifically states that a producer is liable for causing a person's death or bodily injury or damage to the person's health by a defective product.</p>
Producer's liability	<p>In Estonia, the law sets out that a producer is liable for damage to property only if:</p> <ul style="list-style-type: none"> • the defective product is normally used for personal use; • the victim mainly used the product for personal use; and • the extent of the damage exceeds EUR 500 (not including the value of the defective product itself).
Legal warranty period	<p>In Estonia, a seller is liable for defects to goods which become apparent within two years as of the date of delivery of the goods to the consumer.</p>
Sales warranty	<p>In Estonia, a sales warranty is a warranty provided voluntarily by the seller or the producer to replace or repair the product with or without charge. The terms of the warranty must be more beneficial to the consumer than any legally applicable warranty.</p>
Standard terms	<p>Standard contract terms are always interpreted in favour of the consumer. A standard contract term is regarded as void if, taking into account the nature, contents and manner of entry into the contract, the interests of the parties and other material circumstances, the terms cause unfair harm to the other party, particularly if they cause a significant imbalance in the parties' rights and obligations arising from the contract to the detriment of the other party or if the standard terms are in conflict with good morals.</p>

11.5 IMPORT AND EXPORT REGULATIONS

Estonia is a party to major multilateral trade agreements, such as the General Agreement on Tariffs and Trade, the General Agreement on Trade in Services and others. Estonia is also a member of the European Union (EU), and thus takes part in its customs union and is bound by its common commercial policy. Therefore, external trade of Estonia is largely being regulated by EU laws and regulations.

Customs regulations	Estonia applies EU laws and regulations governing customs procedures, customs valuation, customs tariffs, etc. As in the case of other EU member states, they apply the EU Customs Code with its implementing provisions, the so-called Common Customs Tariff, and other applicable EU as well as national laws and regulations.
Exports	Export of goods from Estonia (i.e., from the EU) will entail the application of all exit formalities, including the payment of export refunds and the presentation of export licences (where applicable). Generally, no export duties are applicable.
Imports	Import of goods into Estonia (i.e., into the EU) normally will entail the collection of import duties (if any) and the application of commercial policy measures (e.g., presentation of an import authorisation for goods subject to quotas) and any other formalities (e.g., the presentation of a health certificate for certain animals).
Manufacturing requirements	Generally, manufacturing processes are not regulated in Estonia. Any applicable manufacturing requirements must be compliant with the internationally recognized principle of national treatment and the obligation regarding the general elimination of quantitative restrictions.

11.6 ATTORNEYS

General Features on Attorneys	
Features	Estonia
Requirement to have local counsel	None
Sources of local counsels	Local attorneys can be found through various legal catalogues, such as Legal500, IFLR, Who's Who Legal and www.advokatuur.ee .
Attorneys' fees	Attorneys' fees are not regulated in Estonia. The fees of local counsels depend on various aspects, such as experience, academic degrees and many others. Typically, hourly rates in Estonia may range from EUR 100 to 300.

11.7 REDUCTIONS OR RETURN ON CAPITAL

Reductions or Return on Capital

Features	Estonia
Possibility to repatriate capital while a corporation is on-going	While it is possible, reduction of authorized share capital must not decrease a company's capital below the minimum requirements set by law. For example, the minimum authorized capital of a private limited company is EUR 2,500. The reduction of the authorized capital of such an entity should not decrease the authorized capital below EUR 2,500.

12 COMPETITION

Competition law sets out certain rules and restrictions on undertakings' market behaviour, as well as the actions of public institutions and other public bodies. Estonia's competition rules have been modelled on the basis of EU competition law, and the local competition authorities often interpret domestic competition rules in the light of EU rules. Furthermore, it has become rather common for Estonian competition authorities to apply domestic competition rules together with EU competition law.

In general, domestic competition rules cover three major directions of behaviour of undertakings:

- They prohibit the conclusion of agreements, the adoption of decisions by associations of companies or any other practices by undertakings which may be anti-competitive by their intent or effect;
- They prohibit the abuse of a dominant position held by a company;
- They control mergers which meet certain turnover thresholds.

Competition rules also apply to public institutions and other public bodies, prohibiting them from granting privileges to certain undertakings to the competitive disadvantage of other undertakings, whereas the control of state aid to undertakings is a matter of EU competition law.

12.1 ANTICOMPETITIVE AGREEMENTS

Competition rules of Estonia prohibit agreements and any other types of co-operation between undertakings which may restrict competition. In particular, it is prohibited for competitors to agree on prices or production volumes, allocate markets or clients, collude in tendering, or exchange information about prices, production volumes or other similar matters.

In addition to agreements between competitors, competition laws set out rules for undertakings cooperating on a vertical basis. For instance, a supplier must not dictate resale prices for distributors or prohibit distributors from exporting. Certain competition restrictions, such as arrangements limiting territories where a distributor may operate or prohibiting a distributor from selling competing suppliers' goods, may be allowed if the supplier's or buyer's share of the relevant market does not exceed 30%.

In terms of vertical cooperation, an undertaking may rely on the general rule that the lower the parties' market shares are, the more exceptions apply and the less they are affected by competition rules. However, there are certain hardcore restrictions in vertical relationships which are prohibited regardless of the market share (e.g. setting fixed or minimum retail prices).

All anticompetitive agreements are considered as criminal offences which are subject to pecuniary punishments (companies and natural persons) or imprisonment (natural persons).

12.2 DOMINANT POSITION

Competition rules of Estonia set out significant restrictions on the behaviour of dominant undertakings, whereas undertakings with lesser market power do not have such restrictions.

Dominant companies	
	Estonia
Existence of dominant position	<p>Dominant position is the position of one or more undertakings in the relevant market enabling it/them to operate in the market to an appreciable extent independently of competitors, suppliers and buyers.</p> <p>An undertaking is presumed to have a dominant position if its market share is 40%. This is a rebuttable presumption. In practice, the Estonian Competition Authority has found that an undertaking holding more than 40% of the market is not dominant.</p> <p>Additionally, firms with special or exclusive rights or in control of essential facilities are considered dominant.</p>
Prohibited actions for dominant undertakings	<p>Dominant undertakings are prohibited from:</p> <ul style="list-style-type: none"> • charging unfair (i.e., far exceeding the economic value of the product) prices; • below cost (predatory) pricing and margin squeezing, that drives competitors out of business; • exclusivity arrangements, including loyalty inducing discount schemes; • discriminating among equal trading partners, if such discrimination distorts competition; • making the sale of a product conditional on purchase of another product (tying and bundling); • unjustifiably refusing to supply. <p>Analysis of the market behaviour of a dominant undertaking is supposed to be effect-based, i.e., the competition authority must produce a theory of harm in order to justify its finding on abusive conduct. Furthermore, it is also accepted that certain actions of a dominant undertaking, that formally have elements of abusive conduct, could also be justified on objective grounds.</p>

12.3 MERGER CONTROL

In Estonia, the following transactions could be subject to merger control by competition authorities if turnover thresholds are met:

- merger of previously independent undertakings or parts of undertakings;
- acquisition of sole or joint control over another undertaking or entity;
- creation of joint ventures

Transactions that are controlled by the European Commission are not controlled in Estonia, even if the Estonian turnover thresholds are met.

If the thresholds are reached then, as a general principle, the acquirer is obliged to submit a merger filing to the relevant competition authority.

12.4 STATE AID

Merger control rules	
	Estonia
Voluntary or mandatory system	A mandatory merger control system exists in Estonia. All mergers of undertakings exceeding the turnover thresholds must be notified to and receive prior approval from the competent authority.
Notification trigger	A transaction is subject to merger control in Estonia if: <ul style="list-style-type: none"> • the aggregate turnover in Estonia of the merging parties exceeds EUR 6,000,000; and • the aggregate turnover in Estonia of each of at least two of the merging parties exceeds EUR 200,000.
Deadline for filing	A merger filing must be made prior to implementation and after one of the following events: <ul style="list-style-type: none"> • entry into a merger agreement or performance of a transaction or other act for acquisition of parts of an undertaking; • performance of a transaction or other act for acquisition of control; • performance of a transaction or other act for acquisition of joint control; • announcement of a public bid for securities.
Filing fee	There is a fixed filing fee – EUR 1920
Sanctions for not filing / filing incorrect / incomplete notification	Any transactions and actions of undertakings and controlling persons performed prior to the required notification and prior to receipt of approval for a concentration are considered to be valid. It is not clear whether in situation where the Competition Authority at a later stage refuses to grant the clearance the transactions will be considered as void. There has been one case where absence of the clearance by the Competition Authority was considered in the context of the validity of the agreement. In this case the courts ruled that absence of the clearance in case it would be required but the concentration was not notified does not render the transactions as void. In any case, closing before clearance, failure to notify or failure to comply with the Authority's prohibition to merger or conditions of the permission to merger may result in misdemeanour punishment (fines for companies and fine or detention for natural persons). Nevertheless, in practice, we are not aware of any case where detention had been imposed.

Rules on state aid are unified across the EU and are enforced primarily by the European Commission. Hence, these rules apply alike in Estonia and the rest of the EU.

13 PUBLIC PROCUREMENT & PPP

There is a special regulatory framework for public procurement in order to ensure transparent and economical use of financial resources available to the public sector and certain utility companies (contracting authorities), as well as equal treatment of the participants. Estonia has transposed the EU procurement directives (including Directives 2014/23/EU on the award of concession contracts, Directive 2014/24/EU on public procurement, 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors, 2007/66/EC with regard to improving the effectiveness of review procedures concerning the award of public contracts and 2009/81/EC on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security) into its national laws, namely the Public Procurement Act of 14.06.2017 which entered into force 01.09.2017.

Public procurement in Estonia	
	Estonia
Definition of public procurement	<p>In Estonia, the following purchases by the contracting authorities are considered public procurement:</p> <ul style="list-style-type: none"> • purchasing of goods; • contracting for provision of services; • organising design contests; • contracting for construction works; • granting of construction works concessions (in Estonia); • granting of services concessions.
National thresholds	<p>The national thresholds of public procurement are now:</p> <ul style="list-style-type: none"> • 30,000 EUR regarding supply and service contracts (simplified procedure); • 60,000 EUR regarding construction works contracts, service concession contracts, supply and service contracts and service concession contracts in utilities sector, supply and service contracts in fields of defence and security (simplified procedure); • 60,000 EUR regarding supply and service contracts, design contests, specific services and their concession contracts; • 150,000 EUR construction works contracts (except in utilities sector and in fields of defence and security) • 300,000 EUR regarding construction works contracts in utilities sector and in fields of defence and security (simplified procedure); • 300,000 EUR regarding social services contracts, service concessions contracts, social services concessions contracts and construction concessions contracts; • 300,000 EUR regarding social services contracts, service concessions contracts, social services concessions contracts and construction concessions contracts in utilities sector; • 300,000 EUR regarding services purchased by way of simple procedure in fields of defence and security.
Electronic sources of information on public	<p>Published in the Public Procurement Register: https://riigihanked.riik.ee/register, through which contracting authorities can launch procurements and tenderers can participate therein. Most of public procurements are conducted electronically through e-procurement environment in Public Procurement Register. According to Public</p>

procurement procedures	Procurement Act 70% of all procurements published by contracting authority had to be conducted electronically starting from 01.09.2017. Starting from 18.10.2018 all the procurements must be done electronically. As of 31.12.2017 93% of all procurements were conducted electronically.
Obligations below the threshold	In case the estimated value of a public contract without VAT is less than the national thresholds of public procurement, then the contracting authority in Estonia is obliged to follow only the general principles of public procurement.

Public-private partnership in Estonia	
	Estonia
Regulation	<p>In addition to concession award contests, public procurement procedures are employed for selection of private parties to implement public-private partnership (PPP) projects.</p> <p>There is no definition of PPP in the law and in practice no genuine PPPs have been granted for a long time. The closest thing to PPPs are concessions for public works where contracting authorities procure a partner to develop real-estate belonging to the contracting authority, state or municipality, and in which the contracting authority will be in the role of lessee. Not all PPP projects fall under the regulation of public procurement acts.</p>

14 INTELLECTUAL PROPERTY

Estonian regulation of intellectual property (IP) rights is based on the universally recognized principles of intellectual property law. IP laws in Estonia distinguish industrial property rights, which must be duly registered in order to receive legal protection, from copyright and the related rights, which receive immediate legal protection upon their creation. Therefore, those industrial properties such as patents, utility models, trademarks, industrial designs and geographical indications require registration in order to receive legal protection.

Intellectual Property in Estonia			
Features	Trademark	Patent	Copyright
Definition	Any sign capable of distinguishing the goods or services of one person from those of other persons and capable of being represented graphically. With the implementation of the Directive (EU) 2015/2436 the	Form of legal protection for inventions, i.e. technical solutions to technical problems,	Form of legal protection for original literary, scientific and artistic works which are the result of creative activities of an author, whatever may be the objective form of their expression.

	graphical representation criteria should be abolished.		
Who is entitled to obtain the right?	Natural and legal persons.	Natural and legal persons (authorship of the invention is, however, intangible and can belong only to natural persons).	<p>Moral rights are intangible and belong only to the natural person – the author of the work.</p> <p>Economic rights are transferable and can belong to both natural and legal persons.</p>
Acquisition of legal protection	Upon registration in the Estonian Register of Trademarks and Service Marks.	Upon registration in the Estonian Register of Patents.	Immediately upon creation of the work.
	Upon registration with the International Register of the International Bureau of the World Intellectual Property Organization.		
	Upon registration as a European Union trademark.	Upon registration with the European Patent Office.	
	By making a trademark well-known in Estonia.		
Competent authority in Estonia	Estonian Patent Office	Estonian Patent Office	N/A
Term of validity	10 years	20 years	<p>Lifetime of the author + 70 years after his/her death.</p> <p>In the case of joint authorship or co-authorship – the life of the last surviving author + 70 years after his/her death.</p> <p>In the case of anonymous or pseudonymous works – 70 years after the work has been made lawfully available to the public (unless the author discloses his identity or</p>

			<p>leaves no doubt as to the connection between the authorship of the work and person who created it - lifetime of the author + 70 years after his/her death).</p> <p>Copyright in collective works, works created in execution of duties – 70 years after the work has been made lawfully available to the public.</p>
Licences	<p>Types of licences:</p> <p>1) exclusive ; 2) non-exclusive.</p> <p>A trademark license can be registered with the Estonian Patent Office, but registration does not affect the validity of the licence agreement.</p> <p>Local antitrust and competition laws apply to trademark licence agreements.</p>	<p>Types of licences:</p> <p>1) exclusive ; 2) non-exclusive ; 3) compulsory; 4) public.</p> <p>A patent license can be registered with the Estonian Patent Office, but registration does not affect the validity of the licence agreement.</p> <p>A patent license agreement has effect with respect to third parties after registration with the Estonian Patent Office.</p> <p>Local antitrust and competition laws apply to patent licence agreements.</p>	<p>Types of licences:</p> <p>1) exclusive; 2) non-exclusive.</p> <p>Copyright licenses are not registered in Estonia by the Estonian Patent Office or by other institution.</p> <p>Local antitrust and competition laws apply to copyright licence agreements.</p>

KNOW-HOW (TRADE SECRETS)

Features of Know-how (trade secrets)	
Features	Estonia
Concept	<p>There is currently no general definition of know-how (trade secrets) in Estonian law.</p> <p>There is a definition of know-how in the Competition Act, however, this is not exhaustive and thus know-how needs to be determined on a case-by-case basis. Know-how is not subject to registration, however, know-how may be patentable if it concerns a technical solution. In court practice trade secrets are defined according to TRIPS Agreement article 39 (in civil, administrative and criminal cases).</p> <p>Estonia is currently in the process of transposing the Directive (EU) 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure. The Government of Estonia has accepted the wording of the draft legislative act and the act should, thereafter, move to the Parliament for three subsequent readings.</p>
Regulation	<p>There is currently no specific regulation in Estonia regarding the granting of know-how (trade secrets). However, trade secrets are protected against unlawful disclosure or use under the TRIPS Agreement and in some circumstances such activity is punishable as a criminal offence under the Penal Code.</p> <p>Upon the transposition of the Directive (EU) 2016/943, as detailed above, trade secrets, as defined in Directive (EU) 2016/943, will be protected against unlawful disclosure and use, with the introduction of national protection measures for more effective enforcement.</p>

15 CESSATION OR TERMINATION OF BUSINESS

15.1 TERMINATION

Termination of Business	
Features	Estonia
Tax consequences	<p>A Tax Agency for state taxes will write off the tax arrears upon the dissolution of a business with bankruptcy or liquidation proceedings or upon the compulsory dissolution of the business without liquidation proceedings if no third party is liable for performance of the tax liabilities or the tax arrears cannot be collected from such third party.</p> <p>However, the tax obligations of a reorganized entity are transferred to the successor.</p>

	Income tax is charged on the amount in which the liquidation proceeds received by a person upon the liquidation of a legal person exceed the acquisition cost of the holding, unless the portion of the liquidation proceeds or the share of profit which is the basis of the proceeds has been taxed with income tax.
Costs involved in termination	In Estonia , after it is decided to liquidate a legal entity, a liquidator must be appointed; therefore, its fees are involved in the termination procedure (in Estonia, in most cases, members of the board, or partners in case of partnerships, may be appointed, but there are some specific restrictions). The investor might need additional legal advice on the termination matter, therefore, legal counsel fees may be incurred as well.
Timeline on terminating the business	In Estonia, the time consumption depends on various aspects – the size of the legal entity being liquidated, the number of creditors, etc.
	In case of private and limited companies, the process will take at least eight months.
Differences of different business form in termination procedure	In Estonia , private limited companies and public limited companies are treated quite similarly in liquidation procedures – after the competent body passes a resolution to liquidate a legal person, a liquidator must be appointed and the creditors and respective registers must be duly informed about such resolution passed. Further, the claims of creditors (the employees are understood as creditors as well) must be satisfied and the remaining assets (if any) are divided between the shareholders. After that, the legal entity may be terminated. Joint ventures and partnerships are terminated under the agreement of the partners. They must divide the assets of the joint venture (if any) and then the joint venture may be terminated.
Government's role in termination procedures	A business can be terminated in Estonia without governmental approval or intervention as long as the legal entity is not terminated due to insolvency reasons.

15.2 INSOLVENCY/ BANKRUPTCY

Insolvency and/ or Bankruptcy of Business	
Features	Estonia
Investor's liability	<p>The extent of an investor's liability in the event of insolvency or bankruptcy in Estonia depends on the legal form of the respective business.</p> <p>In case of insolvency or bankruptcy of limited liability legal entities (such as private limited companies, public limited companies, small partnership and etc.), the investor enjoys limited liability against the obligations of the company. The concept of this limited civil liability provides for investors' protection from the liabilities of the legal entity, i.e., the investors are not liable beyond their investment into such legal entity. In cases where the legal entity is unable to fulfil its obligations due to unfair actions of its member (shareholder or partner), such member is liable for the obligations of the limited liability legal entity within the amount, which is not covered by the legal entity.</p>

	In case of insolvency or bankruptcy of unlimited liability legal entities (such as sole proprietorships or partnerships), the investor is fully liable for the obligations of the legal entity.
Restructuring of business	Estonia allows the restructuring of legal entities which face temporary financial difficulties or are at material risk of facing them, in order to avoid bankruptcy. The purpose of restructuring is to allow such legal entities that have not ceased commercial activity to preserve and maintain their activity, as well as to settle their debts and restore their solvency.
	A legal entity can be restructured only once in two years.
	There are certain preconditions for a restructuring process to start: <ul style="list-style-type: none"> • the legal entity is likely to become insolvent in the future; • it requires reorganisation; • the sustainable management of the undertaking is likely after the reorganisation; • bankruptcy proceedings have not been brought against the legal entity; • there is no court ruling concerning the compulsory dissolution and no supplementary liquidation has been carried out • the previous restructuring procedure must not have ended less than two years ago.

16 EMPLOYMENT

The central point of focus in the current Estonian employment law is the principle of flexicurity and allowing the employer and employee to agree on employment terms. Even so, the Estonian labour law maintains a number of provisions aimed at protecting the employee as the weaker party to the agreement.

Estonia has joined the major ILO employment conventions and transposed major EC employment directives into their legal acts.

16.1 GENERAL FEATURES OF EMPLOYMENT LAW

General Features of Employment Law	
Feature	Estonia
Form	Employment agreements must be in written form in Estonia, with one exception. Further information is provided below. <ul style="list-style-type: none"> • An oral contract may be concluded for employment not exceeding two weeks; • Actual start of work equals the conclusion of an employment contract.
Term	An indefinite employment term is a rule in Estonia. Entry into fixed term contracts and prolongation of fixed term contracts is limited.
	A contract will be considered to have an indefinite term if a fixed term has been extended more than once during a five-year period, or consecutive

	agreements have been concluded in relation to similar work more than twice (agreements are considered consecutive, if the period between the end of the former agreement and signing the new agreement does not exceed two months).
Limitations on application of employment laws	Employment laws generally do not apply to members of management and supervisory boards in Estonia.
Limitations on conclusion of employment contract	There are restrictions for conclusion of employment contracts with children in Estonia. In Estonia, restrictions apply to conclusion of employment contracts with children under the age of 15 or children that have not yet completed their primary education.
Standard working hours	Eight hours per day and 40 hours per week.
Maximum working hours	12 hours per day and 48 hours per week. Exceptionally, up to 52 hours per week. The working time must be shortened and no overtime work is allowed for employees under 18 years old.
Minimum rest time	11 uninterrupted hours per day; 48 uninterrupted hours per week (36 uninterrupted hours per week in case of aggregated working time).
Annual leave duration	At least 28 calendar days. The 28 days do not include public holidays.
Minimum salary	EUR 500
Additional remuneration	Additional remuneration must be paid for: <ul style="list-style-type: none"> • night work – agreed hourly salary is multiplied by a rate of 1.25 • overtime work – agreed hourly salary is multiplied by a rate of 1.5 • work on public holidays – agreed hourly salary is multiplied by a rate of 2. None
Penalties on the employer	There are several penalties enacted for certain infringement (e.g., failure to comply with rules of working and rest time).
Information and consultation	The employer has an information and consultation obligation in the event of collective redundancy, reorganisation or transfer of undertaking. Additionally, an employer has a general information and consultation obligation for all companies with more than 30 employees.
Non-discrimination	Employers are prohibited from discriminating against employees based on gender or from treating employees unequally based on an employee's other characteristics.

16.2 TERMINATION OF EMPLOYMENT CONTRACT

Termination and Redundancy	
Features	Estonia
Termination of the employment contract	An employer may terminate an employment contract for several reasons: <ul style="list-style-type: none"> • material reasons related to the employee (decrease in capacity to perform work duties due to reduced working skills or health, breach of duties or the employee has lost the confidence of the employer); • economic reasons – redundancy (including due to liquidation and bankruptcy).
	An employee may terminate a contract at any time with 30 days' prior notice without providing reasons.
	An employee may terminate a contract without giving prior notice in case of a material breach of the employment contract by the employer. In this case, the employee has the right to demand three months of salary as compensation from the employer.
	During the probationary period, both parties may terminate the contract, the notice period being 15 days
	Either of the parties may initiate the termination of employment by mutual agreement without prior notice.
Notification periods for the employer	No need for notification if, considering any and all circumstances and mutual interests, it cannot be reasonably expected that the performance of the contract can be continued until expiry of the agreed term, or term of advance notice: <ul style="list-style-type: none"> • 15 calendar days' prior notice if the employment relationship has lasted less than one year; • 30 calendar days' prior notice if the employment relationship has lasted 1-5 years; • 60 calendar days' prior notice if the employment relationship has lasted 5-10 years; • 90 calendar days' prior notice if the employment relationship has lasted 10 years or more.
Severance pay	Upon redundancy, the employer must pay the employee one month's average salary. There is an exception for employment contracts entered into for a specified term. In this case, upon redundancy, except upon bankruptcy, an employer must pay an employee compensation to the extent that it corresponds to the wages that the employee would have been entitled to until the expiry of the contract term.
	Additional compensation is paid to the employee from state unemployment insurance funds.
	No severance payment needs to be paid if the employment relationship is terminated at the request of the employee with no material cause or due to the fault of the employee.
	If an employment relationship is terminated pursuant to the mutual agreement of the parties, severance pay is subject to the parties' negotiations.

Other employers' specific obligations	An employer is obliged to offer vacant positions before terminating a contract with an employee, except in case of offences by the employee or liquidation or bankruptcy of the employer.
Protected categories of employees in case of redundancy	Termination due to redundancy is prohibited in relation to pregnant women. Further redundancy prohibitions apply to the following persons: <ul style="list-style-type: none"> • Women entitled to maternity leave; • Employees on parental leave.
	The following persons have a preferential right to remain in their post: <ul style="list-style-type: none"> • Employees raising a child under three years of age; • Employee representatives (the body who elected the representative or trade union; must be asked for their opinion on the redundancy).

16.3 SAFETY STANDARDS

Safety Standards	
Features	Estonia
Regulation	The Employment Contracts Act and the Occupational Health and Safety Act. Additionally, there are several Government regulations specifying the requirements of the Occupational Health and Safety Act.
Supervision	The Labour Inspectorate is responsible for state supervision in the working environment over compliance with the requirements of legislation regulating occupational health and safety and labour relations, and carries out state enforcement on the basis and to the extent prescribed by law.
Obligation of employers	There are extensive obligations established by the laws (e.g., conduct regular internal controls and risk assessment, organise the provision of occupational health services and bear the costs related thereto, inform employees on risks and measures taken to prevent damage to health).

16.4 TRADE UNIONS

Trade Unions	
Features	Estonia
Recognition	Trade unions have no strong traditions in Estonia. There are trade unions in different sectors, e.g., in manufacturing and transport. The unions in the public sector are the strongest.
Employer's obligation to organize trade unions	Persons have the right to freely, without prior permission, found trade unions, and join or not to join them. Employers have no obligation to organize trade unions.

Collective bargaining	<p>Collective bargaining agreements may be concluded on the following levels:</p> <ul style="list-style-type: none"> • state (national) level; • sectoral (production, services, professional) or territorial (municipality, county) level; • enterprise (establishment, organization) level or on the level of its structural division. <p>Collective bargaining agreements are not mandatory in Estonia. In fact, the vast majority of small and medium enterprises do not have collective bargaining agreements.</p>
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17 EXPATRIATE EMPLOYEES

17.1 WORK PERMITS

Work Permits	
Feature	Estonia
Necessity of work permits	Non-EU citizens who intend to work in Estonia must obtain residence permit for work, unless statutory exemptions apply. The residence permit generally gives the right to work in Estonia. Short term working (up to 6 months) is allowed without a residence permit but registration in the Police and the Border Guard Board is required, unless statutory exemptions apply.
Application	<p>An application should be lodged with the Police and the Border Guard Board.</p> <p>When applying for a temporary residence permit for employment, an additional application for permission to the Estonian Unemployment Insurance Fund is required (with some exceptions).</p>
Related requirements	Salary paid to a person employed in Estonia on the basis of a residence permit for work must comply with certain salary criteria.
Fees	<ul style="list-style-type: none"> • Issuance of a temporary residence permit for employment – EUR 96 (EUR 120 if applied for in Estonian representation); • Extension of a temporary residence permit – EUR 96
Time limits	A foreigner's application to issue a residence permit is examined within two months from the date of start of the proceedings.
Validity term	The validity period for a residence permit is determined in the relevant permit.

17.2 COST OF LIVING AND HOUSING

Cost of Living and Housing	
Feature	Estonia
Cost of living	According to the Numbeo Cost of living for Country 2018, Estonia holds the 42 th place in the world based on consumer price index (a relative indicator of consumer goods price, including groceries, restaurants, transportation and utilities. CPI Index doesn't include accommodation expenses such as rent or mortgage).
Housing	Real estate for rent is usually advertised in internet websites and to a lesser extent in local and national newspapers and. Housing costs vary per city. Every real estate purchase agreement must be verified by a notary public. The highest prices in Estonia are in Tallinn, Tartu and Pärnu (in summer).
Inflation rate	According to the central bank (Eesti Pank), inflation is estimated to be between 2% and 3% in 2019 and 2019.

17.3 MEDICAL CARE

Medical Care	
Feature	Estonia
System of medical care	Estonia provides state-funded healthcare to all Estonian citizens and residents of Estonia. Private healthcare is available. The state system is funded through contributions paid by salaried and self-employed workers, who contribute 13% of their wages (as part of social tax) to the system.

17.4 DRIVERS' LICENSES

Drivers' Licenses	
Feature	Estonia
Need for drivers' licences	Driving licenses issued by the EU member states as well as by Switzerland, Iceland, Norway and Liechtenstein are valid in Estonia without any limitations. Drivers licences from the countries that are participants of the 1968 Vienna Convention on Road Traffic and the 1949 Geneva Convention on Road Traffic are valid in Estonia. Nevertheless, the validity is limited. The driving licenses to which the aforementioned conventions apply are valid for 12 months as of the date on which the person took up residence in Estonia. After that deadline, the driver's license should be replaced with an Estonian driving license.
Obtaining a drivers' license	A theoretical test and a practical exam are obligatory in order to obtain a driving license in Estonia. Examination services are available only for persons permanently residing in Estonia. A person will be considered permanently residing in the Republic of Estonia if he/she normally lives in the respective country at least 183 days within the calendar year.

Fees	State fee is EUR 26 for each operation – issuance of a driving license (state fee is EUR 20 if application is submitted electronically in a specific system) and theory test. The fee for a driving test is higher – EUR 40 (or EUR 26 if the vehicle of the Estonian Road Administration is not used).
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17.5 IMPORTING PERSONAL POSSESSIONS

Importing Personal Possessions	
Feature	Estonia
Means of transportation	Import of personal belongings is easy since Estonia is provided with a great variety of transport means: <ul style="list-style-type: none"> • Flights from international airports; • Transportation by railway transport; • Transportation by bus transport; • Transportation by ferries. In addition, anyone is free to choose courier services provided by a number of private companies.
Import duties	In Estonia , personal property that is in correspondence with the duration and objective of the journey does not need to be declared unless a restriction has been established on the import or export thereof.

18 REAL ESTATE

18.1 GENERAL FEATURES

General Features	
	Estonia
System of real property law	The real property law in Estonia is based on a strong, public real estate register, as it is known in the German legal system. All real property rights, whether the right of ownership or limited real property rights, in respect of any real property are established or cease to exist only upon a respective entry in the respective State's real estate register.
Real estate definition	A registered land plot together with all essential parts thereof, including any buildings erected on the land, is defined as real estate. As a rule, the title to a building cannot be held separately from the title to the land plot under that building. There are exceptions to this as identified below. Certain other property is also considered as real estate (e.g., ships, aviation vehicles, etc.). The only case when a building is not considered to be part of the underlying land is when that building has been erected based on a building right, and the land is not yet privatised. A building right is one of the limited real property rights, and this

	can be subject to transactions independent of the land plot itself. In addition to the building right, apartment ownership and building right as to apartments are also considered a separate real estate.
Types of real property encumbrances	<ul style="list-style-type: none"> • Mortgage; • Pre-emption right; • Real servitudes; • Usufruct; • Personal right of use; • Real encumbrances; • Building right.

18.2 ENCUMBERING REAL ESTATE

Real Estate and Encumbrances	
Question	Estonia
Restrictions on foreign ownership of real estate	As described in Chapter 2.4, certain restrictions apply to the acquisition of forest and agricultural land in Estonia.
Formalities for the transfer and encumbering of a real estate	The formalities for both the transfer of real estate and encumbrance of real estate (for example with a mortgage) are similar. The parties must conclude a notarised document (transfer or encumbrance agreement) and a contract regarding the substantive right (in Estonia both can be included in one agreement), following which a corresponding entry needs to be made in the respective real estate register. In the case of a transfer agreement, the title is considered as transferred and in the case of encumbrance, the encumbrance (e.g., mortgage) is established as of the respective entry in the real estate register.
Costs of the transfer of real estate and setting a mortgage	<p>Notary's fees (incl. deposit fees if the notary's account is used) and state fees must be paid. The amount of the fee depends on the value of the real estate or mortgage.</p> <p>In the transfer of real estate, adding VAT to the price of real estate is optional unless:</p> <ol style="list-style-type: none"> 1. an essential part of the immovable is construction works, or a part of a construction works which is to be transferred prior to the commencement of use of the construction works or a part thereof; 2. an essential part of the immovable is a construction works which has been significantly improved, or of such construction works which is to be transferred prior to the post-improvement resumption of use of the construction works or the part thereof, 3. it is a lot with construction right and it does not contain any construction works. If the value of the real estate is EUR 10 million, then the total costs (notary fee and state fee) are approximately EUR 14,700.

	<p>There is no specific mortgage tax in Estonia. If the value of the mortgage is EUR 12.5 million, then the total costs (notary fee and state fee) are approximately EUR 14,100.</p>
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18.3 COMMERCIAL LEASE AGREEMENTS

The current information is provided with regard to commercial lease agreements. The legal framework of residential lease agreements is considerably different, but this will not be considered here.

Commercial Lease Agreements	
Estonia	
Registration of the lease agreement	A tenant may demand (negotiate) the landlord to make an entry regarding the lease in the real estate register, which entry would secure the tenant's rights in case of transfer of the real property to a new owner – in such case the new landlord is prohibited from terminating the lease agreement due to the change of ownership of the real property.
Term of the lease agreement	There are no limitations on the term of a lease agreement. However, if a lease agreement has been concluded for a term exceeding 30 years, then after the expiry of 30 years, either party may terminate the agreement without cause with three months prior notice.
Termination of lease agreement	<p>The grounds and procedure for termination of a lease agreement vary, depending on whether the term of lease agreement is fixed or indefinite.</p> <p>A fixed-term lease agreement can be terminated before term only for material reasons, foremost due to a significant breach of the agreement by the other party.</p> <p>A lease agreement with an indefinite term can be terminated at any time by either party without cause with three months prior notification.</p>
Renewal	<p>The law does not set out a compulsory renewal procedure.</p> <p>A commercial lease agreement can be renewed only upon the agreement of the parties. If, however, after the expiry of the term of the lease agreement, the tenant continues to use the leased premises, then the lease agreement will be considered as transformed into a lease agreement with an indefinite term, unless either party notifies the other of its intentions within two weeks.</p>
Change of ownership	Lease agreements automatically transfer to the new owner of real estate. The new owner may terminate the lease agreement due to the change of ownership unless the lease agreement is registered with the respective real estate register. In Estonia, lease agreements regarding residential or commercial premises can be terminated only in limited cases.

Taxation of rent	Such income is not subject to corporate income tax due to the Estonian distinct corporate income tax system.
	The leasing or letting of real estate or parts thereof are generally VAT exempt (with the exception of providing accommodation services and the leasing or letting of multi-storey car parks, premises for parking vehicles, and permanently installed equipment or machinery or safes). However, it is possible to voluntarily add VAT to the supply of the real estate (except for dwellings) by notifying the Tax Agency before the supply.
Lessor's securities	The lessor of real estate has the right of security over movables located on the leased real estate and furnishings of the premises. Additionally, lease agreements often set out the lessee's obligation to pay a deposit upon signing of the lease agreement. Some lessors also require the lessee to produce an appropriate bank guarantee.

18.4 CONSTRUCTION MATTERS

Construction Matters	
	Estonia
Costs of construction	<p>Municipality services provided by the local authority – including any request to obtain a detailed spatial plan and where such exist, its supplementary specifications are free of charge.</p> <p>In case preparation of a detailed spatial plan is not mandatory, the fee for a request to obtain design specifications for construction works is EUR 25.</p> <p>There are also fees for issuance of a construction permit. The fees depend on the building or facility and are between EUR 30 and EUR 250.</p> <p>For example - the fee for issuance of construction permit for a residential house is EUR 150 as for a commercial building EUR 250.</p> <p>Exceptions from the requirement for construction permit are available for small buildings, reconstruction and demolition of construction works.</p> <p>All other construction costs consist of fees under separate agreements on services.</p>
Construction permits	<p>A construction permit is required for construction / reconstruction / extension/ demolition of construction work, except for small scale construction in which case a written notification along with the building design documentation the authority suffices.</p> <p>Consent of the co-owners and owners of the respective land plot is generally required. In case of certain small scale works the authority decides whether the consents are needed. Owners (users) of neighbouring land plots may be involved in the proceedings as affected persons.</p> <p>It should be also noted that a further occupancy and use permit is needed after the construction has been completed.</p>

Authorization to construct	<p>There is no general construction authorization required, but there are some specific constructing activities that require a license, e.g., construction of buildings specified in the Heritage Conservation Act. An activity license is required, for example, in case of conservation and restoration of monuments as well as structures located on an object entered in the UNESCO World Heritage List. An application for an activity license should be submitted to the National Heritage Board. The fee for issuance of such activity license is EUR 50.</p> <p>Additionally, there is a requirement for registration in the Register of Economic Activities in case an undertaking wishes to carry out any of the following activities:</p> <ul style="list-style-type: none"> • construction of buildings regarding of which the construction permit is required, except where the competent person undertaking the work is not covered by the work of others and the management of the organization; • design of buildings regarding of which the construction permit is required; • the owner supervision; • the conduct of construction studies; • construction project expertise; • conducting the audit of the building (subject to specific exceptions) • the maintenance of public roads; • making traffic projects.
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19 DISPUTE RESOLUTION

19.1 CHOOSING JURISDICTION

Persons involved in commercial activities may agree to resolve disputes arising from contractual relations in the courts of other states as long as that state permits such agreement. Under Estonian law, a jurisdiction clause in a contract is not admissible if the law provides for exclusive jurisdiction by a certain court, such as for any disputes related to real property, including lease agreements, that are subject to the jurisdiction of the court of the location of the property. However, this restriction is not applicable to cross-border relations where the Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (“Brussels I” recast regulation) is applied instead.

19.2 ALTERNATIVE METHODS OF DISPUTE RESOLUTION

Alternative dispute resolution	
Estonia	
Arbitration	The following arbitration courts settle civil disputes in Estonia (except for specific residential lease, labour and consumer credit contract matters that can be only settled in courts):

	<ul style="list-style-type: none"> • The Arbitration Court of the Estonian Chamber of Commerce and Industry; • The Arbitration Court of the Chamber of Notaries; • Social Financing Arbitration Court. <p>There is one specialized arbitration court – the Nasdaq Tallinn Stock Exchange Court of Arbitration – which settles matters concerning the Tallinn Stock Exchange.</p>
Mediation	<p>The following persons may provide mediation services according to the Conciliation Act:</p> <ul style="list-style-type: none"> • a natural person whom the parties have entrusted the task of conciliation; • a sworn advocate; • a notary; • in the cases provided by law, a conciliation body of the government or a local authority.

Arbitration courts can settle any commercial dispute as well as any other dispute from private relations, except for disputes which concern the termination of a residential lease contract or of an employment contract or a dispute arising from a consumer credit contract. A proprietary claim in public law can be subject to arbitration court jurisdiction only where the matter can be governed by a contract under public law. However, arbitration is not a very common way of dispute resolution in Estonia.

19.3 LENGTH OF COURT PROCEEDINGS

Length of court proceedings
Estonia
<p>The length of court proceedings may vary due to the case load of the courts. Court proceedings tend to take longer in complex cases. The length of court proceedings in the first instance is shorter than the EU average in Estonia.</p> <p>The general trend with regard to the length of court proceedings are:</p> <ul style="list-style-type: none"> • about two to three years in all three instances for both civil and administrative disputes.

19.4 SECURING OF THE ENFORCEABILITY OF FUTURE DECISIONS

Securing of the enforceability of future decisions
Estonia
<p>Estonia foresees a possibility to apply for interim measures to secure a future decision in the claimant's favour or provisionally regulate a disputed legal relationship where claimant's action consists of a non-monetary claim. In general, interim measures include the establishment of a judicial mortgage.</p> <p>Both national courts and the arbitration courts have jurisdiction to impose interim measures on the respondent (although arbitration courts cannot impose measures which restrict personal freedoms). However, a decision of an arbitration court on applying an interim measure is enforceable only upon</p>

a ruling of enforceability issued by a state court. Parties to arbitration may apply to the state courts for interim measures as well.

In Estonia, the list of interim measures includes the following measures:

- establishment of a judicial mortgage on an immovable, ship or aircraft belonging to the defendant;
- seizure of the defendant's property
- prohibition on the defendant to perform certain transactions or perform certain acts, including imposition of a restraining order;
- prohibition on other persons to transfer property to the defendant or to perform other obligations with regard to the defendant
- imposition of an obligation on the defendant to deposit a thing with the bailiff;
- suspension of the enforcement proceeding, permitting the continuation of the enforcement proceeding only against a security, or revocation of the enforcement action if the enforcement instrument has been contested by filing of an action, or if a third party has filed an action for the release of property from seizure or for declaration of inadmissibility of compulsory enforcement due to another reason;
- prohibition on the defendant to depart from his or her residence, taking the defendant into custody and imposition of detention on the defendant;
- imposition of an obligation on the defendant and above all, an insurer, to make payments to the extent of the minimum amounts likely to become payable in the course of a proceeding conducted in a matter of damage caused by unlawful action or in a matter of an insurance contract;
- imposition of an obligation on the defendant to terminate the application of an unfair standard term or that the person recommending application of the term terminate or withdraw the recommendation of the term in an action for termination of application of an unfair standard term or for termination and withdrawal of the recommendation of the term by the person recommending application of the term;

The list is non-exhaustive, and other similar measures considered necessary by the court may be applied. As explained above, most of these measures can be imposed also by arbitration courts, but the respective court's ruling is necessary for enforcement.

19.5 ENFORCEMENT OF FOREIGN COURT DECISIONS AND ARBITRAL AWARDS

Enforcement of foreign court decision and arbitral awards
Estonia
<p>Foreign court decisions and arbitral awards can be enforced in Estonia subject to certain rules. In general, the decisions would have to be recognised under the procedure set out in Estonian laws, international agreements and EU regulations. For arbitral awards, the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards is applicable.</p> <p>Under Estonian law, the procedure for recognition and enforcement of foreign court decisions and arbitral awards, there is no substantial review and the Estonian courts check compliance with general procedural standards, such as whether the party was informed of the proceedings and was afforded</p>

due procedural defence, whether the decision is in force in the country of its adoption, whether it contradicts public policy, etc.

In some cases, defined by specific EU regulations, EU members' court decisions would be enforceable in Estonia without a recognition procedure.

19.6 ENFORCEMENT OF NATIONAL COURT DECISIONS OUTSIDE THE COUNTRY

Whether Estonian court decisions are enforceable outside of Estonia depends on the legislation of that country, however, Estonia is a party to several bilateral international treaties (e.g. with the Russian Federation and Ukraine), which regulate this matter. If the decision is to be enforced in an EU country, EU regulations apply.