



TAG Alliances Miami Cross Border Transactions

Gijs in 't Veld
6 May 2014

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- Governance:
 - management board constitution (executive / non-executive)
 - duties and liabilities
 - shareholder control

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- Tax headlines
 - CIT
 - dividend
 - income tax

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- Contracting / Transfer:
 - continental system: various effects from Civil Code and *fairness*
 - notary requirements

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- Applicable laws / forum:
 - national laws vs foreign laws
 - within EU: public courts / outside EU: arbitration, depending on perspective
 - consider litigation and enforcement positions

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- Employee consultation
 - *works council*
 - trade unions
 - individual employees

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- Services
 - accounting
 - tax
 - legal
 - trust
 - extensive identification requirements
 - bank account


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- Investment Support:
 - [Netherlands Foreign Investment Agency \(NFIA\) http://www.nfia.com/](http://www.nfia.com/)

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Doing business in Estonia

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Country overview

Neighbours: Finland, Sweden, Russia, Latvia
 Ranked **11** in 2014 Index of Economic Freedom
 World Bank Doing Business Rank **21** out of 185 (2013)
 Membership: European Union, NATO, OSCE
 Currency: Euro (since 2011)
 Population: 1.3 million
 Language: Estonian (similar to Finnish)
 Capital: Tallinn (largest city)

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What do investors want?

Highly educated workforce


Political stability

Favorable tax system (low taxes)

Information technology widely used

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Factors favouring enterprise in Estonia

Highly educated workforce
55% of workforce fluent in one or more foreign languages


Politically stable
State budget in balance, lowest governmental debt in Europe

Favorable tax system (low taxes)
Re-invested corporate profits tax-free

Information technology widely used
Company can be registered via Internet in less than two hours
Tax returns, applications, statements and requests can be e-filed online

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Taxes

Income tax (21% flat)
Value-added tax (20%)
Social tax (33%)
Unemployment insurance premium (2%)
Fringe benefit tax (income and social tax)
Other taxes (e.g. gambling, land, heavy goods vehicle, local taxes)
Excise duties (e.g. alcohol, tobacco)
Environmental charges (pollution, natural resources exploitation)
Taxes payable in cross-border transactions

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Main corporate entities

* PUBLIC LIMITED COMPANY (AS)
Capital requirement 25 000 €
Shares (stocks) in Estonian Central Register of Securities
Possibility to list company on stock exchange
Two-level management structure:
1) management board
2) supervisory board (council)
Founders: natural or legal persons

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Main corporate entities

*** PRIVATE LIMITED COMPANY (OÜ)**
 Capital requirement 2 500 €
 Shares register – either kept by company or shares in Estonian Central Register of Securities
 One-level for management: management board
Can be founded online (expedited procedure)
 Down payments into share capital may be delayed
 Founders: natural or legal persons

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Management board

Consists of one or more natural persons
 No residency requirement
 Does not have to be a shareholder
 May not be in supervisory board at the same time
 Member may represent company in all transactions unless AoA prescribe joint representation
 Elected by supervisory board or shareholders
 May be removed (called back)
 May resign (step back)
 May not compete with the company he/she runs

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Other corporate bodies

Shareholders meeting
 At least once a year
May vote electronically or by post

Supervisory board (council)
 At least three members
 Meeting at least once every three months
Right to make decisions without calling a meeting

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Legal System

Continental (influence of German law; PECL)

Contract law principles: Good Faith
Party autonomy
Reasonableness

Property law: Trustworthy real estate register
Pledge on movables (shares, rights, cars, commercial assets) and immovables (land, houses)

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Notarisation requirements

contracts of purchase or sale of land (real estate)
memoranda of association (company foundation agreements)
articles of association
merger and division agreements
agreements for the transfer of shares in a PLC
contracts of pledge
signature samples for commercial register
statements (applications, petitions) to commercial register

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International Agreements

Bilateral Investment Treaties with:
United States, United Kingdom, Switzerland, Germany, Turkey, Finland and many others.


Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958; the New York Convention)

Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention)

Convention Abolishing the Requirement of Legalisation for Foreign Public Documents (Hague, 1961)

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Court system

Three instances:

- 1) County courts and administrative courts
- 2) District courts
- 3) Supreme Court

County courts keep registers:

- real estate register
- commercial register
- non-profit organisations register
- marital property agreements register
- commercial (assets) pledge register
- ships register

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Doing Business in Estonia

.... is simple and easy.

THANK YOU!

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... look, that was an intelligent Estonian!

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