



WHY ESTONIA?



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Positively surprising



Estonia – a small but versatile country

This small country welcomes you with its intact nature, diverse traditions and history, as well as an excellent business and investment environment.

Already in the Middle Ages, Estonia served as a bridge between the West, the North and the East. Goods from the Silk Road were transported to the Scandinavia through Estonia. Tallinn and other Estonian towns belonging to the Hanseatic League played a role in the development of European trade as well as more global economy. Today's Estonia is distinguished by one of the most forward-looking business environments in Europe and web solutions that are unique worldwide.

Geographically, Estonia is the centre of Northern Europe – this gives it a singular logistic position. The goods produced in or mediated by Estonia reach more than 300 million consumers in Europe, Russia, Ukraine and elsewhere within mere hours or days.

In addition to an excellent logistic position, this also requires an advanced infrastructure, world-leading innovative solutions, as well as educated and experienced workforce.

Estonia has all that.

Republic of Estonia

Head of state	President
System of government	Parliamentary republic, unicameral parliament (the Riigikogu)
Area	45,226 km ²
Population	1.3 million
Capital	Tallinn
Official language	Estonians. Other languages, such as English, Russian and Finnish, are also widely spoken
National holiday	Independence Day, 24 February
Time zone	GMT + 2 hours
Flight times	Helsinki 35 minutes, Stockholm 1 hour, Copenhagen 1 hour 30 minutes, Moscow 1 hour 40 minutes, Amsterdam 2 hours 20 minutes, London 2 hours 45 minutes
GDP (2011)	15.95 billion euros
GDP per capita adjusted for purchasing power parity	15,750 euros (2011)

Skype success story

Skype, founded in Estonia in 2003, developed in only a few years into a large-scale company with offices in London, Luxembourg, Singapore, Tokyo, Prague and elsewhere.

The technical solution of Skype was developed by three Estonians – Jaan Tallinn, Ahti Heinla and Priit Kasesalu.

Originally, Skype was a small, simple programme designed to provide free calls to Skype users all over the world. However, calls from computer to computer were just the beginning. Phone calls, conference calls, money transfers and mobile Skype soon followed.

Already by 2007 Skype had over 246 million registered users, which meant global business.

- » 2005 – eBay bought Skype for 3.1 billion dollars.
- » 2009 – eBay sold 70 per cent of Skype.
- » 2011 – Microsoft bought Skype for 8.5 billion dollars.



Estonian business environment – impeccable, simple and forward-looking

Estonia's business environment is safe and the business culture is impeccable. Agreed-on deadlines are observed, payment dates and other agreements are honoured. An Estonian will rather break his arm than his word.

Why invest in Estonia?

The country is safe and simple:

- » Estonia is part of the Schengen Agreement, the European Union and the NATO.
- » Private property is inviolable in Estonia.
- » Estonia is a state based on the rule of law.
- » Estonia lacks excessive bureaucracy.
- » The currency of Estonia is the euro.
- » Estonian banking system is modern and international, online banking is widely used.

Bank of Estonia: <http://www.eestipank.ee/en>

Estonia's economy is stable, our public debt is one of the smallest in Europe, and the reliability of Estonian banks is based on Scandinavian experience – the leading banks here are owned by banks registered in the Nordic countries.

The attractiveness of Estonia is demonstrated by the large number of foreign investors doing business here and the dominance of world-renowned foreign companies in several of Estonia's economic sectors. Foreign impact is also evident from the fact that exports represents more than 100% of Estonian GDP.

In Estonia, foreign investors are treated the same as domestic ones, and European Union subsidies, for instance, are equally available for both foreign and domestic companies.

Estonia's advantageous and user-friendly business environment has attracted a great number of foreign investors and large companies of international renown to the country – Ericsson, ABB, Stora Enso, Symantec, Stoneridge, Vopak EOS, Deutsche Post DHL and many others. The fact that Estonian banks are mostly owned by well-known Nordic banks, such as Swedbank and SEB, also speaks in favour of the reliability of Estonia's business environment.

Stora Enso chose Estonian reliability

*In 2010, one of the world's biggest wood processing groups Stora Enso founded its **shared services centre** in Tallinn in order to improve the efficiency of the group's accounting, IT and several other services and internal training.*

The Estonian capital was selected as the location for the centre after thorough going research, and Tallinn was chosen because of several important advantages:

- » Estonia's quality labour
- » Estonian workers' good foreign language skills, especially in Nordic languages and English
- » top-level ICT infrastructure
- » work and business culture characteristic of the Nordic countries
- » good and fast air and boat traffic with Helsinki

STORA ENSO 2011

	Turnover million euros	Employees
Worldwide	10,965	29,505
In Estonia	110	610

PROCUREMENT AND MANUFACTURING UNITS WERE ALSO ESTABLISHED IN ESTONIA

Stora Enso Eesti is Stora Enso's wood procurement company in Estonia that procures conifer timber, pulpwood and wood chips for the group's pulp and paper manufacturing. Stora Enso also owns two wood processing plants (Imavere and Näpi) in Estonia, the annual production requirement of which is 3/4 million cubic metres of saw log. A large part of the output is exported to many countries around the world. The pulpwood and wood chips are procured for the group's paper manufacturing in Finland and Sweden.

Taxes in Estonia – low and clear

In Estonia, taxes are low and the tax system is simple and transparent. Everything tax-related is managed through the fully automatic online Tax Board without any involvement of tax officials.

The state taxes applied in Estonia are income tax, social tax, land tax, gambling tax, value added tax, customs duty, excise duty and heavy vehicle tax. No taxes are imposed on gifts or inheritance.

Taxes in Estonia – low and clear

- » Uniform personal income tax rate 21%
- » Value added tax 20% (0% or 9% with some products and services, 0% when exporting)
- » Social tax 33%
- » Unemployment insurance premium: 1% from employer + 2% from employee (2013)
- » There is no tax on operating income – the income tax on reinvested profit (money that stays in the company) is 0%. Only dividends and the distribution of profit are taxed.
- » The annual land tax rate is between 0.1% and 2.5% of the book value of the land.
- » Excise duty is added to tobacco, alcohol, fuel, electricity and packaging.
- » Heavy vehicle tax applies to lorries and road trains with a registered or laden mass of more than 12 tons.
- » Gambling tax is imposed on sums gained from organising games of skill or odds, bets and lotteries.
- » Thanks to the small number of deductions and exemptions, taxing and declaration is very simple.
- » Declaration of taxes takes place on a fully electronic basis.

Estonian Tax and Customs Board: www.emta.ee

Why is Symantec in Estonia?

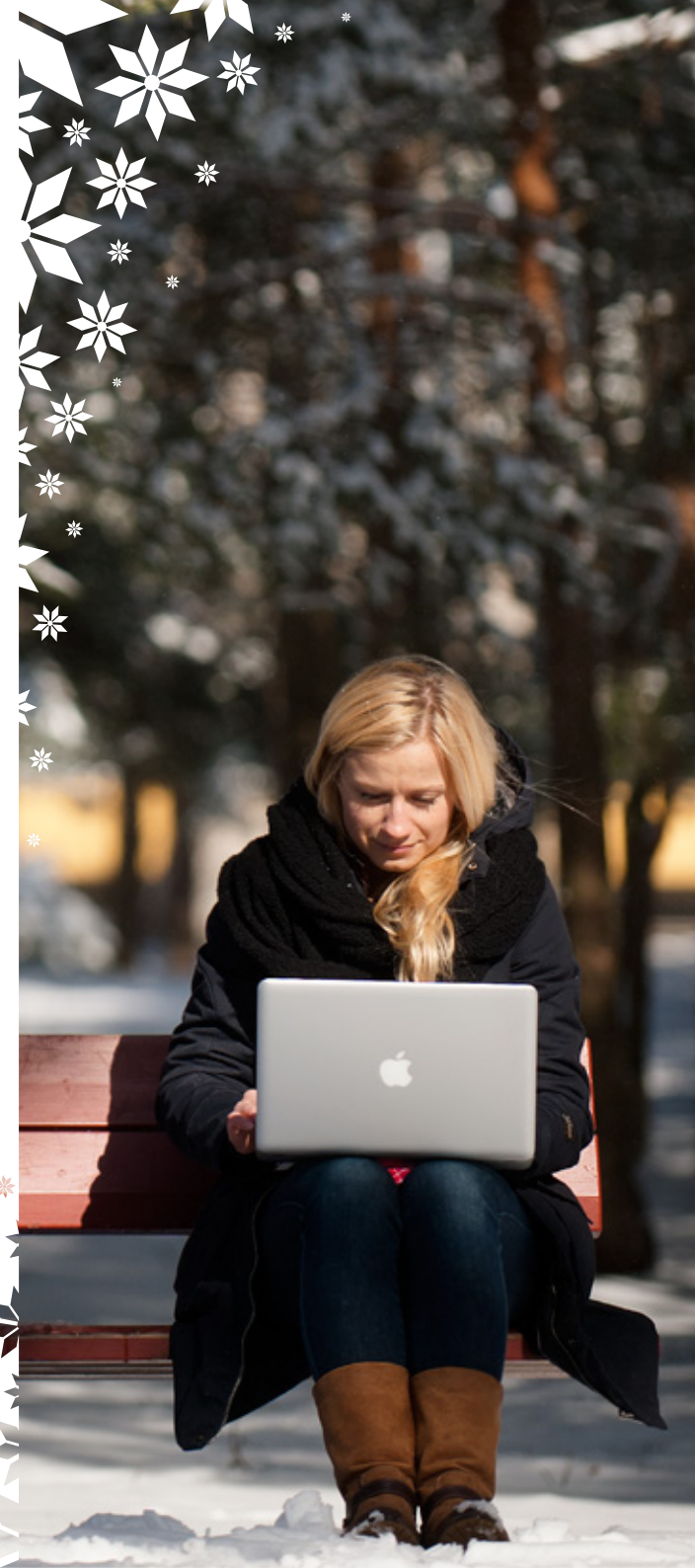
Symantec is one of the world's leading companies in **cyber security** whose research centre located in Tallinn employs 165 people. Symantec has chosen Tallinn as the location for its development centre because of Estonia's advanced IT sector, top-level skilled labour, and a good logistical position in the geographical centre of Northern Europe and the Baltics.

John Thompson, Chairman of Symantec Corporation:
"There is no doubt that Estonia is at the forefront of IT and cyber security related issues not only in the Baltic Sea region but also in Europe. Estonia is highly advanced in the use and development of the Internet and several applications, and a natural choice for Symantec for establishing our centre in the Baltic region."

Symantec, founded in 1982, has developed into one of the biggest software companies in the world with more than 18,500 employees in over 50 countries, providing software solutions to small entrepreneurs and major international organisations alike. Symantec is also included in the prestigious Fortune 500 list that has been ranking the biggest companies in the US since 1955.

SYMANTEC 2011

	Turnover	Employees
Worldwide	6.7 (billion USD)	18,500
In Estonia	8.2 (million euros)	165



The Internet is a human right in Estonia

Estonia has the highest level of Internet freedom in the world; it is also one of the world's leading countries with regard to the use and availability of the Internet and online services. In Estonia, the Internet is a human right. This makes business especially convenient and easy.

One of the most telling examples of Estonia's IT development is the fact that the European Union's IT Agency and the NATO Cyber Defence Centre are both located in Estonia.

New, innovative solutions are quickly and flexibly adopted in Estonia. Our e-State solution, based on the ID card, was the first of its kind in the world. E-Government, e-Customs, e-Tax Board and e-Health solutions in the healthcare system function effectively in Estonia.

Estonia has the largest number of free WiFi hotspots per capita in the world, and the whole country will be covered with broadband Internet connection by 2015. 94 per cent of people in Estonia file their income tax return through the e-Tax Board, and 98 per cent of bank transfers are performed electronically.

More than 80 per cent of the parking in the paid areas of the capital city Tallinn is settled through mobile phones – by either using an app or sending a good old-fashioned SMS. M-Parking was developed in 2000 by the mobile service company EMT; other mobile service operators have joined in by now. The success has been based on a good cooperation with the manager of the infrastructure.

Mobile solutions have also been employed in the planning of public space – for example, in cooperation between EMT and the University of Tartu/the company Positium, the movement of cyclists in the town has been mapped by means of mobile positioning, in order to plan bicycle roads as effectively as possible.

Guardtime success story

*Guardtime was founded in Estonia in 2006 by cryptography experts Dr. Märt Saarepera and Dr. Ahto Buldas, as well as the Internet visionary Joi Ito. Today, the headquarters of the **timestamping service** provider are located in Singapore and several technologies and solutions that are unique in the world have been developed. Research and development takes place mostly in Estonia, but the company also has offices in Japan and the US.*

Guardtime's clients include Rakuten Bank, Brother, Hutchison Telecom, Tom Group, SEB, China Post, Telefonica and many other internationally renowned companies.

EXAMPLES OF GUARDTIME'S ACHIEVEMENTS

1. Basic technology. *Guardtime has developed a unique electronic signature technology that makes it possible to trust electronic data just as much as paper documents. Furthermore, this can be done in extremely large quantities and in such a way that the trust does not depend on any third party. All that is needed is the presence of data and signature; verification of the credibility of the data can be inferred mathematically from these components (this is what makes it different from the Estonian digital signature, for example – to verify the latter at any point of time, the user must trust AS Sertifitseerimiskeskus (Certification Centre), who must also be present and available for the verification of the digital signature). Guardtime's existing technical infrastructure already makes it possible to independently ensure the credibility of all the data stored or circulating in the world.*

2. Certified email. *On the basis of Guardtime's technology, a solution for reliable email correspondence for business clients, so-called "DHL for electronic documents", has been created and is being introduced in cooperation with China Post. Upon receiving an email from a company using the service of China Post, it is possible to make sure if the message was actually sent by this addresser and the content of the email matches that of the original message. The solution also enables the addresser to check, and prove irrefutably if necessary, that the message has been delivered to the recipient.*

3. Secure cloud platform. *In cooperation with Joyent, the world's leading developer of cloud platform software, a solution has been created that enables the user of a Joyent platform based cloud to check independently of the service provider what has been going on with the data stored in his or her cloud, who has accessed them and whether the data are in an authorised state. This resolves the biggest obstacle to the adoption of cloud technologies so far – there is no longer a need to trust the cloud service provider, because the activity in the cloud can be checked independently, indisputably and without any control by the service provider. This is useful for both the client and the service provider, since the latter gains the opportunity to easily deny baseless accusations, which has thus far been impossible.*



Estonians – a forward-looking nation

It is easy to do business with Estonians. What you find here is a welcoming, forward-looking and resourceful people characterised by Nordic diligence and rationality.

Estonians have been living in their country for more than 10,000 years. This has provided invaluable experience in communicating and doing business with their neighbours – Scandinavian countries and Russia. This experience is an advantage in Northern Europe – Estonians are able to do business with Russia in an effective and secure manner.

Estonians' work culture and attitude toward work is Scandinavian, while the wages are only a third of those in Sweden and Finland on average. As a forward-looking nation, Estonians value education highly. People in Estonia are well-qualified, educated and friendly. It is easy to communicate with Estonians – good language skills and fluency are a rule rather than exception here.

A land of educated people

- » 36% of labour force with higher education
- » 14% of labour force trained as engineers
- » 16th best level of higher education worldwide
- » The biggest number of experienced IT talents in Central and Eastern Europe
- » 55% of Estonian labour force speaks one or several foreign languages at a good level

Toward a pollution-free future – Estonian electromobility programme

One of the most telling examples of Estonians' visionary thinking is ELMO – the Estonian Electromobility Programme. To launch the programme, the Estonian government concluded an agreement with Mitsubishi Corporation for the sale of 10 million AAUs' worth of emission allowance, and the Ministry of Social Affairs of the Republic of Estonia took 500 Mitsubishi iMiev electric cars into use to set an example.

The ELMO programme also means an opportunity for the more environmentally conscious and innovation-friendly part of the Estonian population to purchase a pollution-free electric car at favourable conditions. The state will cover up to a half of the price of the acquired electric car.

Furthermore, Estonia is the first country in the world to be covered with a nation-wide network of quick charge stations for electric cars, completed in 2012. The distances between the quick charge stations are 40 to 60 kilometres, which ensures sufficiently convenient and free movement for users of electric cars within Estonia.

The main types of company in Estonia

Estonia is characterised by a typically Continental European Commercial Code and types of company. Founding a company in Estonia is easy and its electronic registration takes less than half an hour.

All companies and self-employed persons must be entered in the commercial register.

Non-profit associations and foundations must be entered in the non-profit associations and foundations register.

Estonia's public commercial register helps reduce risks – for just 1.5 euros the annual report of any company can be accessed here. Most of the companies registered in Estonia are private limited companies, followed by public limited companies.

The board members of Estonian companies need not be citizens of Estonia or the European Union.

Private limited company

- » A private limited company (abbreviated OÜ) is a company of limited liability.
- » The minimum share capital is € 2,500.
- » The liability of private limited companies is limited to their capital.
- » Shareholders vouch for the company's liabilities in the amount that they paid for their share.
- » The book value of a share must be € 1 or its integral coefficient.
- » Shares can freely be transferred to other shareholders of the company.
- » In the event of a sale of the company's shares, the shareholders have the right of pre-emption before third parties.
- » Dividends must be distributed proportionally between shareholders, but the main principles of distribution shall be defined in the statutes.

Public limited company

- » Public limited companies (abbreviated AS) have higher capital requirements than private limited companies do.
- » Public limited companies must be registered in the Estonian Centre of Securities and are subject to independent auditing.
- » The minimum share capital is € 25,500.
- » The shares of a public limited company are divided into ordinary shares and preferred shares.
- » The owners of ordinary shares are included in the distribution of profit and receive a certain portion of the remaining assets of the company upon its dissolution.
- » Preferred shares give the shareholder a priority in the distribution of dividends and a certain portion of the remaining assets of the company upon its dissolution.
- » The book value of a share must be € 1 or its integral coefficient.
- » Shares can be freely transferred.
- » Dividends must be distributed proportionally between shareholders in accordance with the nominal value of each shareholder's shares.

Branch of foreign company

- » A branch of a foreign company must be entered in the commercial register.
- » Some legal persons, such as banks registered in foreign countries or insurance companies based outside of the EU, also need to obtain an approval for establishing the branch.
- » The foreign company is responsible for the liabilities arising from the activity of the branch.
- » The foreign company must also appoint at least one manager for the branch who shall report to the foreign company on the activity of the branch. At least one manager needs to be a citizen of Estonia.

Accounting principles in Estonia

- » The duration of a financial year is 12 months.
- » An accounting entity may choose 31 March, 30 June, 30 September or 31 December as the end of a financial year.
- » All accounting records must be stored for seven years.
- » Contracts, business plans and other documents necessary for reconstructing business activity must be stored for ten years.

Auditing standards in Estonia

The annual reports of all public limited companies and foundations must be audited.

In addition, an accounting entity that fulfils at least two of the following three criteria on the date of the submission of the annual report is subject to auditing:

- » sales revenue (net turnover) in case of a company, or income in case of another type of accounting entity, of more than 2 million euros
- » total assets of 1 million euros, or
- » 30 employees

or if the accounting entity fulfils at least one of the following criteria:

- » sales revenue (net turnover) in case of a company, or income in case of another type of accounting entity, of more than 3 million euros
- » total assets of 3 million euros, or
- » 90 employees

The auditing rules effective in Estonia are based on generally approved auditing standards and the standards of IFAC, ISA and AICPA. All major international auditing companies are represented in Estonia.

Source: PricewaterhouseCoopers Ltd, Company Estonia.

www.investinestonia.com

Further information on Estonia

- » **President of the Republic of Estonia:** www.president.ee
- » **Government of the Republic:** www.valitsus.ee
- » **Riigikogu** (the Parliament): www.riigikogu.ee
- » **Estonica – Encyclopedia about Estonia:** www.estonica.org
- » **Official gateway to Estonia:** www.estonia.eu
- » **Visit Estonia:** www.visitestonia.com
- » **Invest in Estonia:** www.investinestonia.com
- » **Estonian exporters database:** www.tradewithestonia.com
- » **Ministry of Foreign Affairs:** www.vm.ee/?q=en
- » **Estonian Chamber of Commerce and Industry:** www.koda.ee
- » **Laws database:** www.just.ee/6906
- » **Company Registration Portal:** ettevotjaportaal.rik.ee/index.py?chlang=eng

Contact Estonia

Entrepreneurship organisations

Estonian Chamber of Commerce and Industry
Toom-Kooli 17, 10130 Tallinn, Estonia
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Website www.koda.ee

American Chamber of Commerce in Estonia
Tallinna Ärikeskus Harju 6, 10130 Tallinn, Estonia
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Email amcham@amcham.ee
Website www.amcham.ee

The British-Estonian Chamber of Commerce
Ahtri 6A, 10151 Tallinn, Estonia
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State agencies

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