



# Estonia's Taxation System

Tax Exposure and Legal Risks for International Businesses Operating via Estonia or the EU

**Why proactive legal consultation is not optional in 2025 ?**



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# About Our Firm



*Sadekov Law Firm: Not Just To Fight. To Prevail !*

Sadekov Law Firm, established in Tallinn, Estonia, our team has over 25 years of experience in complex legal matters across Europe.

We specialize in criminal defense, private disputes, cross-border cases, and business-related legal services.

Now expanding our services internationally, our expert team offers deep knowledge of Estonian and EU laws under the leadership of Vladimir Sadekov





# Introduction

*“You may not intend to break the law – but you might still pay the price.”*

Tax errors, unreported obligations, or cross-border missteps can now result in serious penalties, blacklisting, or even criminal charges — even if unintentional.

Estonia is recognized for its transparent, digitalized, and investor-friendly tax system. In 2025, several tax rate changes have come into effect. This presentation outlines the current tax structure, focusing on key tax types and their figures.

W W W . S A D E K O V . E E







# Legal Shifts in Estonia (2025–2026)

1

Estonia is tightening enforcement of tax and financial regulations, in line with new EU directives.

2

Corporate tax restructuring, beneficial ownership disclosures, and digital compliance are under intensive review.

3

Negligent errors (not just intentional fraud) may now trigger investigations and penalties.



*“Failure to declare a tax nexus in Estonia can now be prosecuted as tax evasion under aggravated economic crime laws.”*





# High-Risk Areas for International Executives

*“Ignorance ≠ protection. Every EU-linked transaction leaves a digital trail.”*

## **RISK 1**

Misreporting cross-border income

## **RISK 2**

Using Estonian entities as pass-through vehicles

## **RISK 3**

Improper VAT registration or under-reporting

## **RISK 4**

Not disclosing ultimate beneficial ownership (UBO)

## **RISK 5**

Doing business with sanctioned partners via Estonian intermediaries





# Personal Income Tax (PIT)



## BASIC EXEMPTION:

- Flat rate: 22%
- €654/month or €7,848/year (reduces for higher income levels)



## WORLDWIDE INCOME:

Residents are taxed on worldwide income.



## NON-RESIDENT TAXATION:

Non-residents taxed only on Estonian-sourced income



# Corporate Income Tax (CIT)



## **UNDISTRIBUTED PROFITS:**

0% (not taxed)



## **DISTRIBUTED PROFITS:**

22% (calculated as 22/78 of net distributed amount)



# Value-Added Tax (VAT)



## **STANDARD RATE:**

22%, from 01.07.2025 the rate is 24%



## **REDUCED RATES:**

- 9% for books, medicines, accommodation
- 5% for certain periodicals



## **ZERO-RATE:**

Applies to exports and intra-EU services



## **VAT REGISTRATION THRESHOLD:**

€40,000 annual turnover



# Social Tax and Contributions



## **SOCIAL TAX:**

33% (paid by employer)



## **UNEMPLOYMENT INSURANCE:**

- 1.6% from employee salary
- 0.8% paid by employer



## **FUNDED PENSION CONTRIBUTION:**

Employee can contribute 2%, 4%, or 6%





# Land Value Tax (LVT)



## **APPLIES**

only to land value (not buildings)



## **RATE:**

0.1% to 2.5%, set by local municipalities



## **REVENUE:**

100% goes to local governments





# Capital Gains and Investments

## **TAXED AT:**

22% (same as PIT “personal income tax”)

## **DISTRIBUTED PROFITS:**

Defers taxation until withdrawal if properly registered



# Key Advantages of Estonia's Tax System

- Encourages business reinvestment with 0% tax on retained earnings
- Highly digitalized and efficient
- Transparent rules with minimal bureaucracy



*“Fully Digital Government Services via **e-Residency** program”*







WHAT CEO SAYS

# Why Early Legal Advice Is Critical ?

- You don't need to be guilty to get caught.
- Estonia collaborates with UAE's FTA, Central Bank & Eurofisc.

Estonia continues to offer a stable and growth-friendly tax environment. Its emphasis on reinvestment and simplicity makes it especially attractive to businesses and investors.



“

*Your defense starts  
before the  
investigation*





# Thank You

**NOT JUST TO FIGHT. TO PREVAIL !**

Contact us today to schedule a confidential consultation tailored to your legal needs in the EU.  
Let's build a bridge between trust and legal protection across borders.

We welcome professional partnerships and inquiries from clients and firms around the world.

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