



Estonia's Taxation System

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

Why proactive legal consultation is not optional in 2025 ?



www.sadekov.ee/en/mena-dubai

VLADIMIR SADEKOV | ATTORNEY AT LAW | MANAGING PARTNER





About Our Firm



Sadekov Law Office, 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 to the MENA region, our expert team offers deep knowledge of Estonian and EU laws under the leadership of Vladimir Sadekov.

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





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.



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 MENA 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 or firms in the MENA.

Vladimir Sadekov | Attorney at Law

+372 5188 763

www.sadekov.ee/en/mena-dubai

