

## E-Estonia: Join a Digital Society

Estonia has become one of the most advanced digital countries in the world, where most bureaucratic tasks can be done online by citizens and residents. Estonia's push for a digital society and the implementation of technology-based government initiatives have made the country a home for ICT industries, start-ups, and ambitious entrepreneurs from around the world.

The three pillars of digital society in Estonia are confidentiality, availability and integrity. The central instrument of E-Estonia is the **e-ID**, which enables the citizens to do up to 99% of all bureaucracy online and can also be used equal to a personal signature.

Another Estonian success is the so-called **x-road**, an interoperable open-source data exchange program that was established in 2001. It enables easy data transfer while also providing only the strictly necessary data and informing the citizen who looked at what data when. X-road saves around three million working hours annually and is used in 21 other countries.

The general principle in Estonia is to not transfer the paper options of government into digital ones but rather find new ways to best establish a digital system.

### 1. E-Residency

E-Residency is a **government-issued digital identity and status** that provides access to Estonia's e-services and transparent business environment. It creates the opportunity to establish and manage an EU-based company solely online from anywhere around the world.

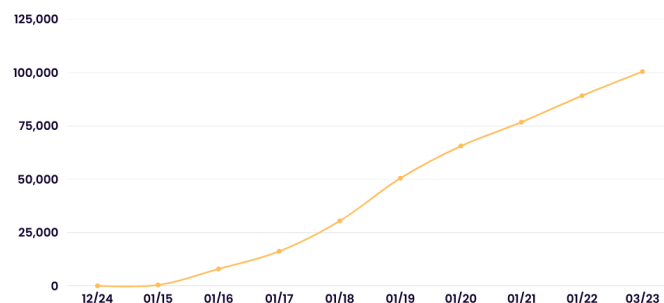
Since its implementation in 2014, over 100.000 people became e-Residents of Estonia.<sup>1</sup>

<sup>1</sup> [E-resident.gov.ee/blog/posts/estonian-e-residency-community-reaches-100000-members](https://e-resident.gov.ee/blog/posts/estonian-e-residency-community-reaches-100000-members) (Stand: 15.03.23)

While E-Residency provides access to a government-issued **digital ID card** that can be used to establish a digital business, it does not grant the right to physically enter Estonia or any other EU country, nor to reside there.

<sup>2</sup>Anyone who is not an Estonian citizen or has a residency there can apply for an E-Residency. The application process takes anywhere between three to eight weeks, costs vary depending on the selected pick-up location, but they may be as low as 50 euros. The application can be submitted online and as soon as the e-residency is awarded, the digital ID can be picked up at an Estonian embassy.

e-Residency in Estonia



### 2. The Digital Nomad Visa

Estonia has joined a handful of countries that recognize a growing community of people who prefer to and can work from anywhere in the world with the use of telecommunication technologies. Holders of a Digital Nomad Visa (DNV) **may legally reside and work digitally in Estonia** for up to one year. There are two kinds of DNVs: a short-stay visa (C-Visa) or a long-stay visa (D-Visa).

With a D-Visa, holders can also stay in other countries in the Schengen area for up to 90 consecutive days.

<sup>2</sup> [E-resident.gov.ee/dashboard](https://e-resident.gov.ee/dashboard) (Stand 15.03.23)

To qualify, applicants must fall in one of three categories:

- Remote employees from countries outside of Estonia
- Online business holders outside of Estonia
- Online freelancers & self-employed workers with customers mainly outside of Estonia

Additionally, they must show proof of health insurance and must earn at least 4.500€ a month. Proof of reaching the necessary income in the six months leading up to an application must be provided by the applicant.

While E-Residency offers the opportunity to create and manage a digital company in Estonia from another country, the Digital Nomad Visa is suitable for those wanting to work from Estonia for companies and clients in other countries.

The cost for a Digital Nomad Visa is between 80 and 100€ and application can take up to 30 days. The application form may be found online<sup>3</sup> and must be submitted to the nearest Estonian embassy, a Police and Border Guard office or a VFS office, which has been delegated the right to handle DNV applications on behalf of the Estonian government.

### 3. Business Environment and taxation

Estonia's drive towards a digital society has not only helped the nation establish a well-developed e-governance system, but the implementation of programs such as E-Residency has helped the nation's growing business and start-up environment. This is cemented by over 25,000 companies established by e-Residents.

However, the issue of tax responsibility for both digital nomads and e-residents can become a complex matter, even though they do not automatically have a tax obligation towards Estonia.

**Digital Nomads**, in principle, are considered Estonian tax residents if they stay in Estonia for 183 consecutive days in a twelve-month period. However, they then must apply for determination of residency to the Tax and Customs board. It should be taken into account that the liability to pay taxes, and the establishment of a tax residency, are to be determined in each case individually - since the tax obligation generally remains at the place of actual permanent residence and does not shift to Estonia automatically.

**E-Residents** only must pay taxes for income generated in Estonia. Income generated in another country does not have

to be taxed in Estonia, in line with the general rules on the avoidance of double-taxation.

Concerning **corporate income tax**, the general rule is that a tax rate of 0% is applied to all reinvested company funds. If you decide to split your companies' funds, an income tax rate of 20% is applied, calculated as 20/80 from taxable net payments.

### Disclaimer

This publication is to be used for information purposes only and does not constitute legal advice.

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<sup>3</sup> [eelviisataotlus.vm.ee](http://eelviisataotlus.vm.ee)