

## SETTING UP IN BUSINESS

### Introduction

Estonia's economy has boomed in recent years as it has pursued a liberal business agenda in preparation for EU membership which was finally achieved in 2004. Foreign investment has flooded into this small Baltic state enabling it to create a relatively relaxed environment for the international business community. However Estonia is still developing and investors should tread carefully. It is particularly important here to seek professional advice on all legal, financial and tax matters.

**Our company formation service makes it easy for you to open a company in Estonia, so please [contact us](#) for further details.**

### What is the most common type of company in Estonia?

There are two main kinds of business entity in Estonia:

- public limited company - Aktsiaselts (AS)
- private limited company – Osaühing (OÜ)

### How much share capital is required to establish an AS?

The minimum share capital for an AS is EEK 400,000 (€25,500).

### **What other requirements are there for an AS?**

- at least half the members of the Board of Management must be resident in Estonia
- audited accounts are required
- a local serviced office is advisable. [&nbsp;](#)

### **How much share capital is required to establish an OÜ?**

The minimum share capital for an OÜ is EEK 40,000 (€2,550).

### **What other requirements are there for an OÜ?**

- auditors required if share capital exceeds EEK 400,000 (€25,500)
- at least half the members of the Board of Management must be resident in Estonia
- a local serviced office is advisable.

### **What other types of company are there?**

- General partnership (TU) – no minimum capital requirement or financial reporting requirements, all partners separately liable
- Limited partnership (UU) – similar to TU but makes distinction between general and limited partners
- Sole trader (FIE) - no capital requirements or financial reporting obligations

### **How easy is it to recruit staff?**

The recruitment industry in Estonia has been slow to develop. Many Estonian companies remain content to rely on the official state employment agency to find staff. However, a number of private-sector employment agencies have emerged and Estonian job-seekers are avid readers of local press advertisements. Estonia has a well-educated and skilled labor force and wage costs are very low by EU standards. We can help you with recruitment, please [click](#)

[here.](#)

### **What is the regulatory environment like?**

Estonia operates one of the most liberal foreign trade regimes in the world, with virtually no tariff or non-tariff barriers. This approach has been carried through into the wider regulatory arena. The local currency, the Estonian Kroon (EEK), is pegged to the Euro and is fully convertible on current account and capital account transactions. Capital and earnings can be freely repatriated. Estonia has no exchange controls or restrictions on foreign investment. The amount of foreign capital that can be invested in an Estonian business enterprise is unlimited and companies can be in full foreign ownership. However, tax regulations must be strictly adhered to and there are severe penalties for infringement. It is therefore essential to engage an English-speaking accountant for tax planning purposes.

### **Are there financial incentives available – and what about banking facilities?**

There are no start-up incentives in the formal sense of the word, but other advantages associated with Estonia, such as liberal business regulations and low labor costs, compensate for this. The local banking infrastructure is well developed, if a little slower than elsewhere in the EU. Read more about how we can help you to open a bank account in Estonia.

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