

WHAT IS ESTONIAN E-RESIDENCY AND HOW IT CAN BE USEFUL TO YOU?

In December 2014 Estonia introduced the world's first government-issued digital identity: e Residency. It only took Estonia about 18 months from the launch of the programme to reach 10,000 e-residents in May 2016. Any foreigner can apply for an e-resident's digital identity card (digital-ID) without having to actually live in Estonia. The e-resident's digital ID enables use of Estonian public and private services¹, digital signature of documents and file encryption with a chip card similar to the Estonian ID card. More specifically an e-resident will be able, eg, to:

RUN A LOCATION-INDEPENDENT INTERNATIONAL BUSINESS ENTIRELY ONLINE

- establish a company online via the [Company Registration Portal](#). A physical address in Estonia is required at this stage to establish an Estonian company. An Estonian address may be obtained through a virtual office provider
- administer the management of the company remotely by holding virtual meetings and digitally and securely signing minutes and resolutions of meetings of management bodies
- take advantage of Estonia's unique corporate income tax system, which defers taxation until distribution of profits²

- view your tax accounts and submit online tax returns via the e-Tax and e-Customs Board (only relevant in relation to taxes paid in Estonia)

CONDUCT BANKING ONLINE IRRESPECTIVE OF PHYSICAL LOCATION

- online access to Estonian bank accounts^{3 4}
- make electronic bank transfers
- obtain access to online payment service providers
- invest in the EU, access stock markets, etc. through an investment account

DIGITALLY SIGN⁵ CONTRACTS AND OTHER DOCUMENTS

- make use of the higher level of security of digital signatures
- use an Estonian digital signature on any official document
- sign contracts and other business documents digitally and e-mail digitally signed documents to counterparties to sign

¹ e-Residency does not confer citizenship, tax residency, or rights of entry to or residence in Estonia or the European Union. The e-Resident smart ID card is not a physical identification or a travel document, and does not display a photo.

² Taxation of e-Residents and legal entities established by e-Residents must be analyzed on an individual basis. Remote administration of Estonian legal entities may result in taxation in other countries.

³ e-residents are not guaranteed bank accounts and may establish them at the sole discretion of Estonian banks.

⁴ Establishing an Estonian bank account currently requires one in-person meeting at the bank. Amendments to the law allowing identification via technological means without a face-to-face meeting have been introduced but not yet applied due to lack of certain implementing legislation. It is likely that the first banks will start applying online identification in autumn 2016 or early 2017.

⁵ An Estonian digital signature equals a qualified electronic signature within the meaning of Regulation No. 910/2014 of the European Parliament and the Council (the eIDAS regulation) whereunder a digital signature is to be recognized by other EU member states as from 1 July 2016.

IS AN E-RESIDENT ALSO A TAX RESIDENT IN ESTONIA?

E-Residency does not determine tax residency and becoming an e-Resident does not automatically involve becoming an Estonian tax resident. Having no other connections with Estonia, your current tax residency will likely not be changed and you will not necessarily become individually liable to tax in Estonia.

Estonian e-Residency, however, grants an easy tax reporting opportunity once it is necessary due to individual or corporate needs. Managing individual or corporate tax returns online saves considerable time and expense, and makes administration of Estonian legal entities extremely convenient.

HOW TO APPLY?

E-resident IDs are issued at Police and Border Guard Board service points and Estonian embassies and consulates worldwide. The applicant must first fill out an [online application form](#) based on which the government will conduct background checks. Once this is done, the applicant must personally pick up the card at a service point or an Estonian embassy or consulate and have their biometric data collected and a government-issued travel document checked for identification purposes. A state fee of EUR 100⁶ must be paid for reviewing the application.

ENDLESS UP-AND-COMING OPPORTUNITIES

While the main value of the e-Residency programme is to enable an e-Resident's presence in the EU single market together with a nationally guaranteed digital signature and encryption tools with high level of security, the next big step for the e-Residency programme is to develop new services for e-Residents in conjunction with the private sector.

The appeal of e-Residency is interconnected with Estonia's goal of making company administration as pleasant as possible. With its well thought-out and easy-to-use infrastructure, Estonia offers the perfect business climate for those who wish to spend less time with bureaucratic hassles and prefer to get things done instead.

The cornerstone of great business management opportunities in Estonia is anchored to digital signing – nationally guaranteed signatures are legally equal to handwritten signatures, which means that running a company without having to leave the room as an e-Resident is as possible as it is comfortable.

The infrastructure enables different startups to offer unprecedented products and services to e-Residents all over the world. Among others is Fundwise, the first business crowdfunding platform that helps to facilitate exchange of capital and shares in companies, with help from secure authentication and digital signing. Furthermore, Nasdaq and the Republic of Estonia have announced that the e-Residence platform will be the key element in a blockchain-based e-voting service that allows the shareholders of businesses listed on Nasdaq's Tallinn Stock Exchange to vote at shareholder meetings. Corporate governance of companies will be more convenient and secure than ever before. The e-Residency infrastructure allows for better identification, while blockchain technology allows votes to be quickly and securely recorded, resulting in more trust and less hassle.

Other up-and-coming e-Residency services include eResNetwork, a business networking platform, where every user is a governmentally-verified person with a legitimate name and legal identity, enabling a transparent and spam-free platform to find and exchange lasting and beneficial business connections, bright ideas and useful knowledge with open-minded people. The platform is the first in the world to take this approach, with an ever-growing number of registered users.

The communities and number of services available to e-Residents are bound to grow significantly since the e-Residency program is still under development. The programme is expected to pass the 10 millionth e-Resident milestone by 2025, indicating that the current list of services is a mere taste of great things to come in the near future. Joining the e-revolution is an opportunity not to be missed.

Additional information:

e-estonia.com/e-residents/about
www.rik.ee/en/international

For additional information and advice please contact:



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