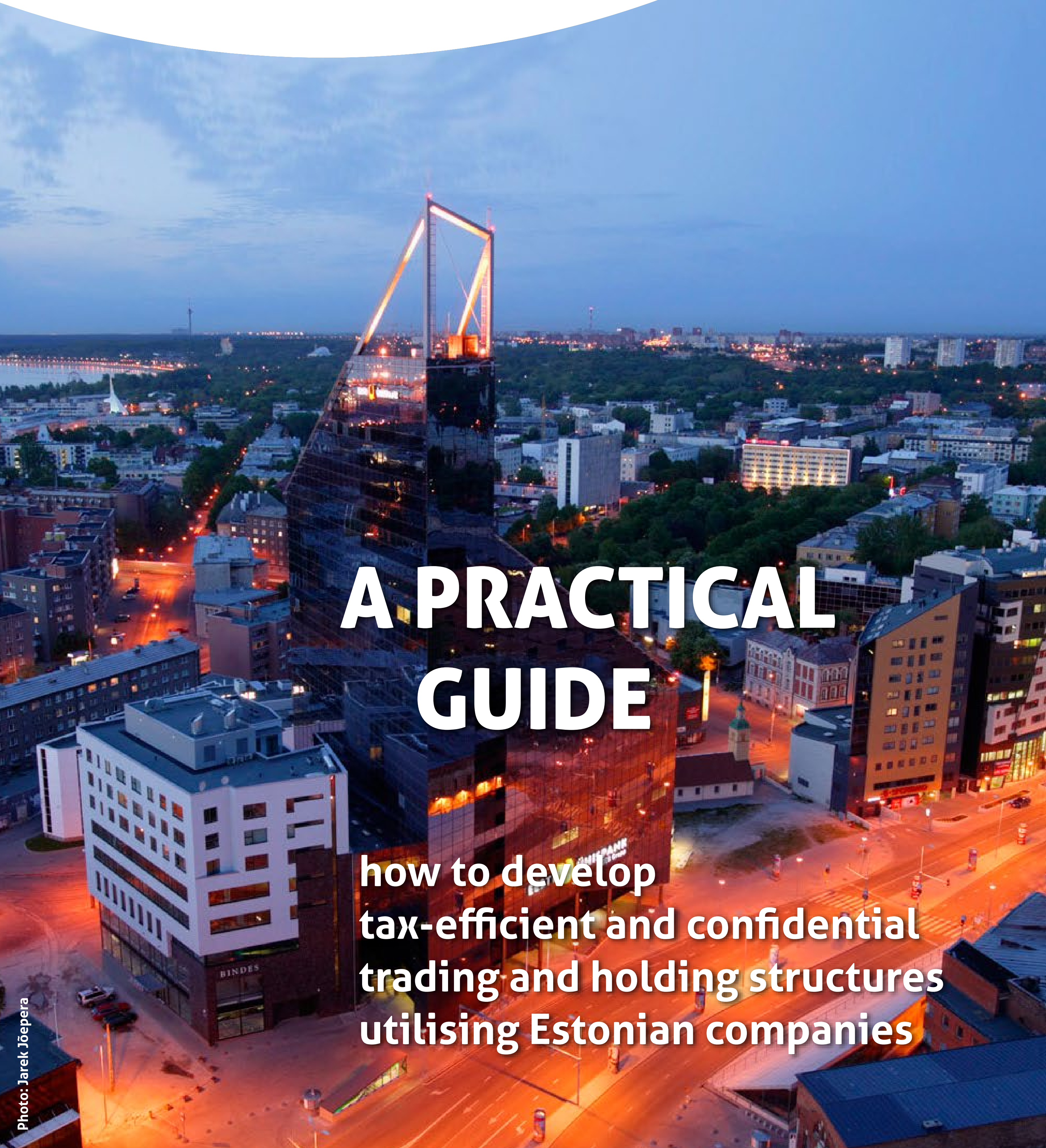
INCORPORATE
in Estonia



A PRACTICAL GUIDE

how to develop tax-efficient and confidential trading and holding structures utilising Estonian companies

Photo: Jarek Jõepera

TABLE OF CONTENTS

INTRODUCTION

When it comes to choosing a jurisdiction for a new business, there are two primary concerns: tax efficiency and asset protection. The nature of a business, the financial and human capital it utilises, the sector in which it operates and the assets it owns and uses – all contribute to the tax costs it faces.

This guide helps you develop practical and simple tax-efficient business structures utilising Estonian companies to keep these tax costs under control. A proper tax structure provides an efficient flow of value from the business to the owners as well as flexibility with respect to planning for growth.

In addition, this guide helps you develop a proper asset protection structure to ensure that your personal assets are not made available to the creditors of the business.

Tax planning, or tax optimisation, is often wrongly understood as the shady practice of manipulating the law to avoid taxes. In reality, however, it is simply taking advantage of current legislation to lower the tax burden connected with owning a business or with investment activity.

The traditional method of tax planning through establishing an offshore business entity has been favoured for decades. While offshore companies offer certain advantages, one major disadvantage is that the governments of rich OECD nations are tightening the tax laws to discourage offshore company strategies.

The pressure of these sorts of measures mounts on investors to move away from "penalised" tax haven jurisdictions to more reputable business centres. Confronted with a need to find viable alternatives to the offshore tax jurisdictions, international tax planners have compromised (and have convinced their clients to compromise) with paying some tax instead of zero tax in a recognised and secure environment.

Following the successful Irish example, low tax jurisdictions have been sprouting up in a number of places, including Estonia. With the implementation of the Estonian tax legislation in the year 2000 and the relevant tax provisions and amendments enacted later, Estonia has established itself as a new player in the international field of holding and trading regimes.

Estonia is a small European country bordering Scandinavia (Sweden, Finland) and Russia. In many ways it can be compared to Hong Kong in China. Estonia offers unique opportunities for businesses: (1) transport hub between Russia and Europe, (2) English and Russian are widely spoken, (3) European residency permits available for investors allowing them free travel in the EU territory, (4) modern and safe banking system, (5) favourable tax regime and effective company incorporation services for foreigners.

Estonia has a unique taxation system, highlighted by a 0% corporate income tax rate on reinvested profits and a wide network of tax treaties, among other valuable features.

Freedom to choose when the company pays corporate income tax brings the flexibility needed in a turbulent economy.

The Estonian taxation system has remained stable and has proved itself through the recent economic crisis. In addition, the European Court of Justice's decisions in the cases of Test Claimants in the FII Group Litigation (C-446/04), Oy AA (C-231/05), and Burda GmbH (C-284/06) confirm that the Estonian corporate income tax system complies completely with EU law.

It is also important to note that Estonia has concluded double-taxation avoidance agreements with around 50 countries, which not only ensures the exclusion of double taxation on the income from the business with treaty countries, but also lowered withholding tax rates on dividends, royalties and interest income received by Estonian tax residents. With respect to the corporate income tax, the double-taxation treaties do not have that much significance as corporate income tax is payable by Estonian tax resident companies in Estonia.

The Estonian banking market is dominated by Nordic-owned banks providing stable facilities. Estonia is a leading country with respect to Internet banking with most daily banking activities occurring online. With the common use of secure PIN-calculators and electronic ID cards it is easy to conduct almost all banking activities in Estonia online without the need to travel. Estonia is renowned for its well-developed e-governance, which allows for fast and efficient administration and communication with the authorities. The Commercial Register and Tax and Customs Board have online interfaces coupled with an electronic personal identification system, as do all major banks – one can establish a company, submit annual accounts, file tax returns, make money transfers and sign all correspondence electronically from a personal computer.

A balanced budget, the lowest national debt in Europe, one of the highest credit ratings in the region, a member of EU, NATO and as of 1st January 2011 the eurozone, absence of restrictions on foreign investments, legal protection of property rights – these are only a few of the reasons why foreign investors have preferred to invest into Estonia, including setting up trading and holding-company structures in Estonia.

CHAPTER 1

Estonian TRADING or SERVICE COMPANY for TAX-FREE exit strategy

Entrepreneurs live for the struggle of launching their businesses. But one thing they often forget is that decisions made on day one can have huge implications down the road. It's not enough to build a business worth a fortune; you have to make sure you have an exit strategy, a way to get the money back out.

The most common exit strategy for any business owner is to sell the business to someone else or to some other company. It entails a transaction that can be conducted between two private parties without all the government regulations and oversight that occurs with an IPO. A sale typically results in the seller of the company receiving cash in exchange for the company.

Companies must consider a number of key tax issues in connection with any exit strategy. By engaging in up-front tax planning, a divesting entity can identify structuring opportunities and pitfalls, assess the tax cost of the various alternatives, and realise significant aftertax proceeds. The tax considerations of an exit can be simple or complex, depending on the number of jurisdictions involved, the rules pertaining to each jurisdiction, and the structure of the transaction.

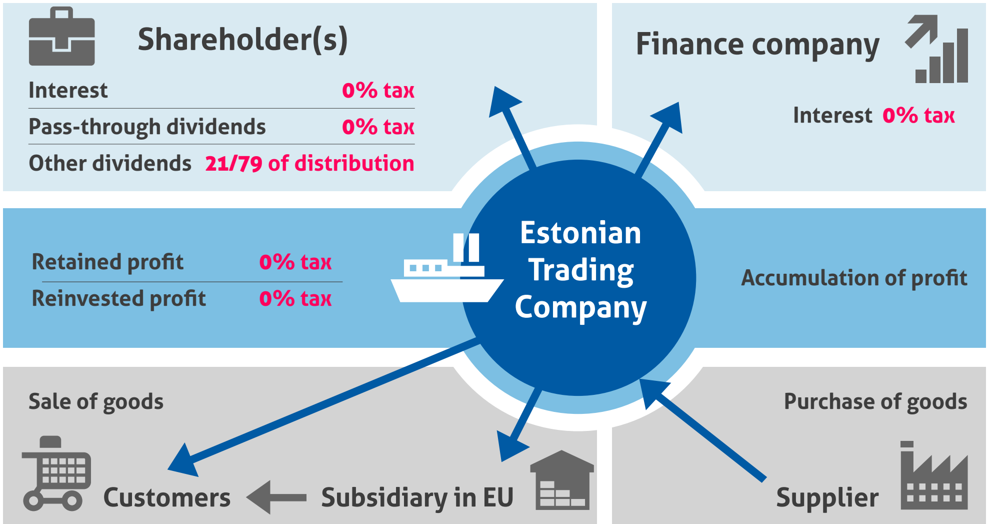
Estonia's taxation system attracts companies that have developed their growth and exit strategies. Estonia does not charge corporate gains on income tax but imposes a tax on distributions. So accumulation of income can be effected tax-free in Estonia. Importantly, there is no capital gains tax on disposal of the shares of an Estonian company. So an investor can accumulate his/her earnings in an Estonian company and can reinvest them till they reach a level that is satisfactory for sale and one can make a significant capital gain on such a sale without in essence being subject to any taxation whatsoever.

An exception to this rule is income derived from sale of shares in a real estate company. A real estate company is a company, investment fund, or any pool of assets where over the past two years at least 50% of all assets have comprised, directly or indirectly, real estate located in Estonia. The precondition for taxation is at least a 10% participation in the real estate company. Sale of shares by a non-resident in a real estate company is taxable at 21% income tax.

How does a TRADING COMPANY work?

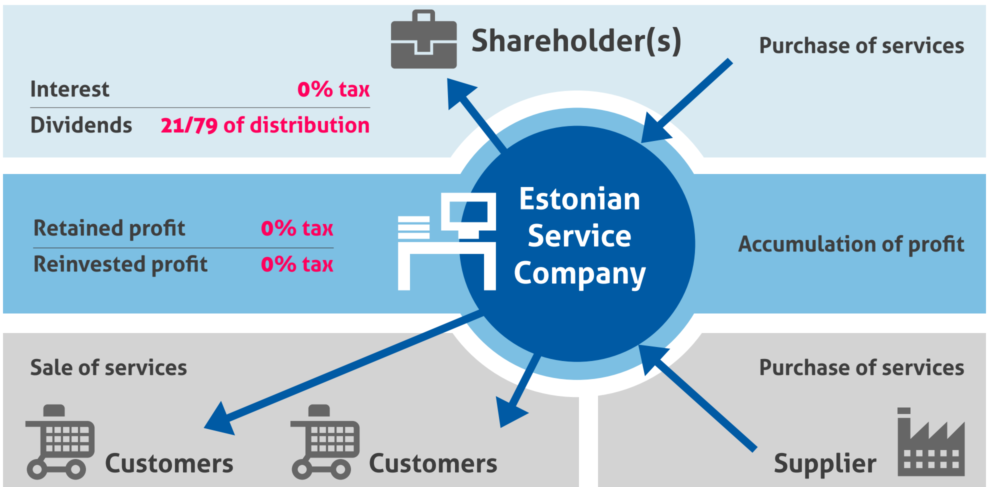
- Create a trading company in Estonia.
- Trading company buys goods abroad, for example in China.
- Trading company sells the goods to your subsidiaries in EU countries or directly to customers.
- Trading company accumulates the profit.
- Initial financing can be granted from shareholders in the form of credit or as an equity investment.

- The profit of an Estonian company is not taxed until distributed. If distributed to shareholders, corporate income tax at the rate of 21/79 shall be paid. If distributed as interest, no income tax is paid.
- Sell shares of an Estonian trading company without taxation.



How does a SERVICE COMPANY work?

- Bill your customers from an Estonian company.
- Charge work completed in your home country or other jurisdictions (e.g. programming from India) at a low margin to the Estonian company.
- Accumulate profits in the Estonian company.
- The profit of an Estonian company is not taxed until distributed. If distributed to shareholders, corporate income tax at the rate of 21/79 shall be paid. If distributed as interest, no income tax is paid.
- Several exemptions are available for CIT on distribution.
- Sell shares of an Estonian company without taxation.



CHAPTER 2

Estonian AGENCY COMPANY for TAX-FREE trading

Taking a business beyond national boundaries means entering new markets and multiplying the number of potential clients and business opportunities. If your enterprise wants to enter a new overseas market, trading with Europe is one of the easiest parts of the world to move into to start selling your goods or services. An Estonian company can provide you with a foothold in Europe, providing access both to Estonia's extensive network of tax treaties, and to the option of trading within the EU VAT net.

International trade in goods is a business activity where tax optimisation structures find probably the broadest use. Large international companies have always been striving to structure their business in a tax-efficient way. They can allow themselves expensive lawyers and tax consultants who help them to build multinational structures that expand across many jurisdictions.

For small and mid-sized companies the monetary and psychological costs of incorporating and running a business in low-tax jurisdictions have been much more burdensome, often too high to be compensated by achieved tax savings. Today's growing globalisation, increasing trade, high domestic taxation levels and availability of relatively cheap low-tax jurisdictions also makes offshoring a viable and interesting option for small and mid-sized companies.

However, with the increasing alertness of tax authorities, it has in recent years become ever more difficult for companies incorporated in offshore jurisdictions to trade with on-shore companies. In many developed countries, tax authorities do not even allow or recognise payments remitted to companies based in offshore tax havens. This reflects the opinion that anyone entering into a transaction with an offshore company is not doing so out of genuine commercial need, but solely for reasons of tax mitigation – if not tax evasion.

Even though the image of an offshore company has taken such a battering over the years, this does not mean that an offshore company is all but useless for the international entrepreneur.

Zero tax trading is still possible through an offshore company, but keeping a low profile is essential. In other words, the offshore company itself is best obscured in such a way that to an outsider it appears as if no offshore company is involved at all.

By using an Estonian registered company, which agrees to transact business on behalf of an offshore company, a structure is available that gives an on-shore profile yet allows the benefits of offshore taxation. The trading company can also provide the foreign principal with a foothold in Europe, providing access both to Estonia's extensive network of tax treaties, and to the option of trading within the EU VAT net.

Concept

The Estonian company is formed specifically to operate as a nominee for the offshore company (principal) – in effect the Estonian company acts as an agent or broker for the offshore company. The Estonian legal system is particularly suitable in this respect providing enhanced privacy for the offshore company. The Law of Obligations Act stipulates that upon the request of the principal the agent may refuse to disclose the identity of the principal to the other contracting party.

The two companies sign an agreement that specifies the terms of the agreement between them. The agreement will specify a fee to be paid by the principal to the Estonian company for services rendered in relation to its activities as an agent. Normally this would be a percentage or commission on sales. An acceptable fee chargeable by the Estonian company would be between 5-10% of gross turnover.

All business is then conducted in the name of the Estonian company, but on behalf of the offshore company. However, because the agent is acting on behalf of the principal it is not entitled to the assets held or transactions carried out by the agent company with the exception of the agent's fee.

The existence of the offshore company behind the Estonian company need not be apparent to customers; as far as they are concerned, all they will see is the Estonian company. The customer enters into a contract with the Estonian company, is invoiced by them and pays the invoices to the bank account of the Estonian company. Income is then remitted to the offshore company by the Estonian company after deduction of an agreed commission.

The Estonian company is managed and controlled by the offshore company and its officers, as are the funds in the Estonian company's bank account. However, to ensure the structure stands up to scrutiny and is robust, there must be no common control between the agent and principal, otherwise the Estonian tax authorities could argue all earnings (100% of turnover) are taxable. Therefore, each company must legally be a stand-alone and without common interest, i.e. directorships, shareholders or bank account signatories.

Taxation

Cypriot and Irish trading companies, which are also widely used in similar tax structures, are technically required to pay corporate income tax on its commission although all allowable expenses incurred in carrying out its business will be deducted first (in Cyprus 10% and in Ireland 12.5%). The ultimate success of an Estonian structure relies on the fact that resident companies and permanent establishments registered with the Estonian authorities are not taxed on their income but they are subject to the corporate distribution tax. Tax at a rate of 21% is levied only on profits distributed and not on profits retained. As the commission fee will be retained by the Estonian company to cover its own operational and administrative costs there will be no distribution and no tax has to be paid.

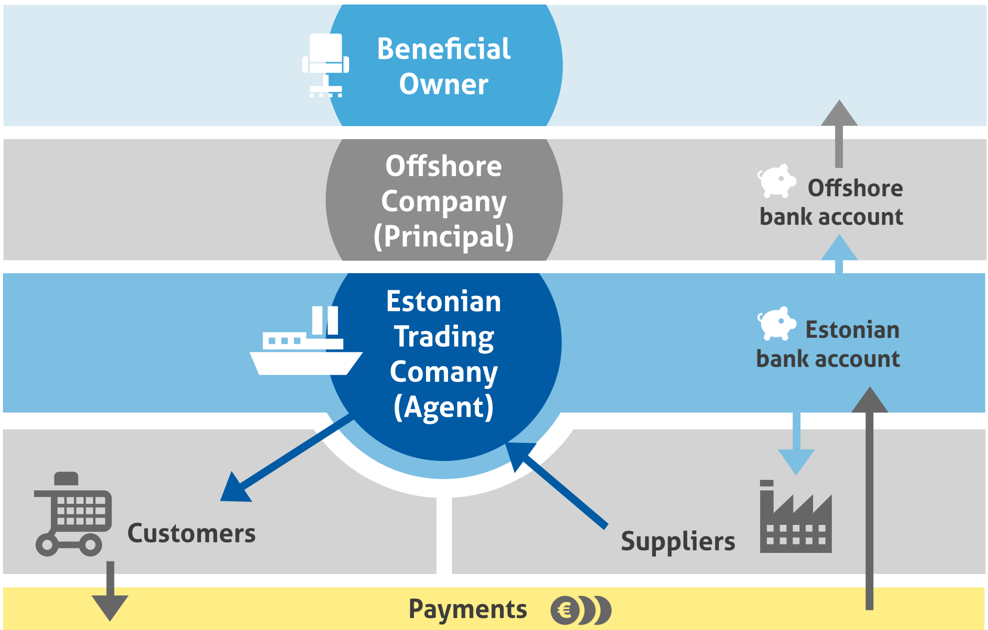
Operational case study

The Estonian company enters into agreements, on behalf of a Hong Kong company, to buy furniture from an Italian manufacturer and supply the same to a German retail group. The Italian company will invoice the Estonian company for the market value of the furniture, quoting their respective VAT number and reflecting the Estonian company's VAT number on their invoice, thus a zero rating for the supply and VAT charge. The Estonian company in turn will request that the goods be delivered to Freeport where they will take title of the goods and forward the ship and furniture, without importation to Estonia, to Germany.

At this time the Estonian company will issue an invoice to the German retail group, again reflecting the Estonian company's VAT number and that of the German company, in order to zero rate the supply for VAT purposes. The furniture is thus delivered with all documentation reflecting the Estonian company and not the original supplier, nor the Hong Kong company. Once the goods have been received and accepted in Germany, the German retail group will pay the invoice received from the Estonian company direct to the bank account provided by the Estonian company.

Upon receipt of the funds, the Estonian company will in turn settle the invoice received from the Italian company. The remaining funds, less the agreed fee for the Estonian company, will be remitted to the account specified and provided by the Hong Kong company.

Key advantages



1. Ideal for use as a European trading structure where the receipt of invoices from an offshore company would not be acceptable.
2. Excellent for situations where an onshore profile is required but where offshore tax treatment is desired.
3. Export opportunities to the European Union. An Estonian company is able to trade freely throughout the European Union, is able to utilise a European VAT number and is not subject to withholding tax from other EU countries.
4. 0% tax vehicle. Resident companies and permanent establishments registered with the Estonian authorities are not taxed on their income but they are subject to the corporate distribution tax. Tax at a rate of 21% is levied only on profits distributed and not on profits retained.

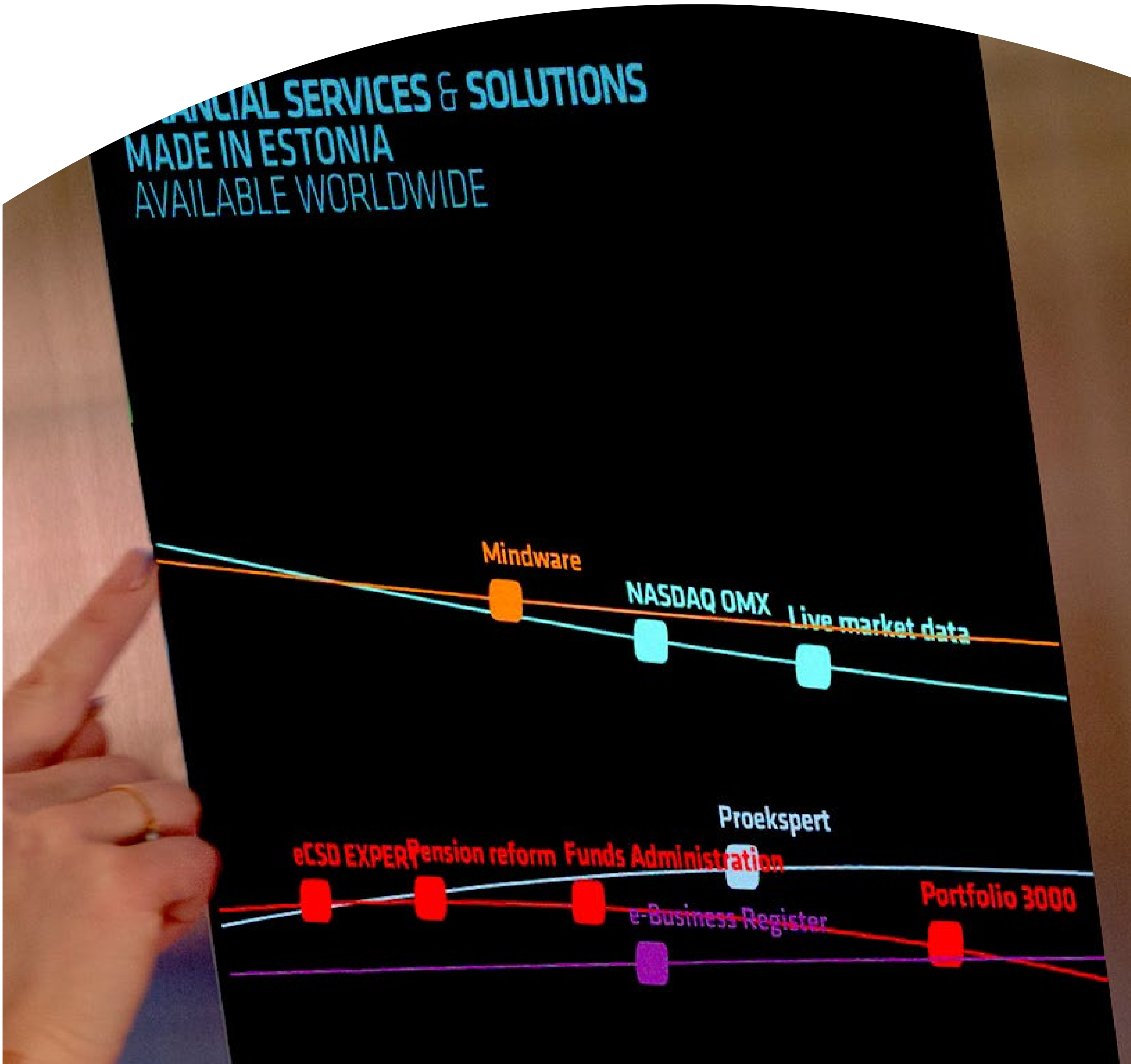
Potential issues

It is strongly recommended that the directors and shareholders of the Estonian company and offshore principal not be connected. Any connection other than agency agreement would mean that the whole amount received would be taxable in Estonia as it would be the income of Estonian company.

As it is a requirement for the Estonian company to file annual accounts reflecting its fee received from acting as an agent on behalf of the offshore principal, it may be deemed that the client has established both the Estonian and offshore companies for the same purpose; hence as there is common ownership, this arrangement can be disclosed.

A solution for this issue is as follows:

- Have the shares of the offshore company owned by an offshore discretionary trust, private foundation or nominee shareholders; hence there is no connected party link between the offshore company and the ownership of the Estonian company.
- The client establishes their own offshore company and engages the services of Sulvanius & Partners' in-house Estonian company to act as the agent, thus again there is no common ownership or connected party issues.

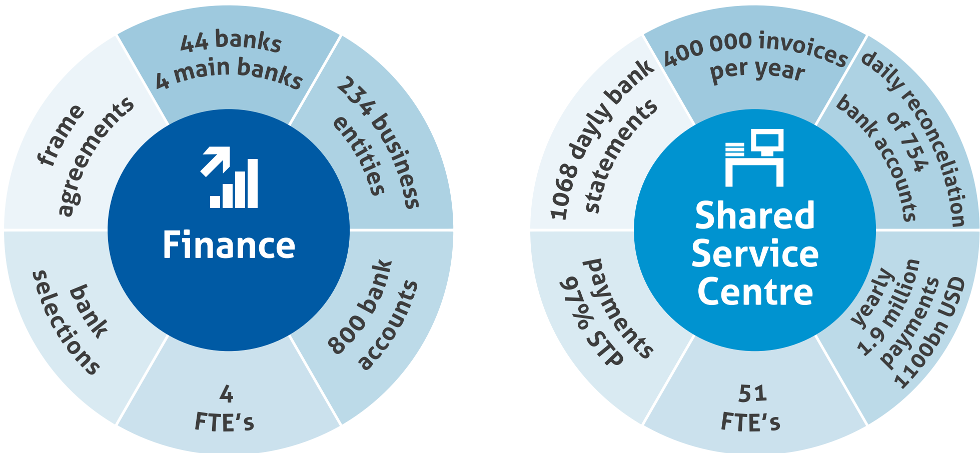


CHAPTER 3

Estonian HOLDING COMPANY for INTERNATIONAL FINANCING

In 2010 Statoil Fuel & Retail ASA, the biggest fuel retailer in the Nordics, set up its financial centre in Estonia, incorporating subsidiaries in Norway, Sweden, Denmark, Poland, Estonia, Latvia, Lithuania and Russia. It spent EUR 270 million, the biggest foreign investment in the Baltic country. The unit that is to function as a centre of excellence provides companies of the group with services like financial asset management, liquidity management, centralised financial asset accounting, and financing.

While choosing the best location for the group's financial centre, Estonia scored well on some important location attractiveness factors, such as a well-developed financial and IT infrastructure, a favourable regulatory and tax regime but also instituting the euro as of 1 January 2011.



Global cash management at Statoil, the international energy company with operations in 37 countries, is vast and complex.

Holding companies are used in international business structures to lower tax burden and to gain better control of the cash and asset flow inside the business group.

The location of a holding company is an important consideration in any international structure where there is a desire to minimise the tax charged on income and gains. One thing is certain – there is not just one optimal holding company jurisdiction to suit all investors or investment profiles. A multitude of tax and non-tax factors are taken into account by investors before they finally decide on a holding company jurisdiction.

European tax jurisdictions that are likely to be on your checklist of possible locations for your holding company will include Luxembourg, the Netherlands, Switzerland, Ireland, Cyprus and

Malta. None of these countries have any substantial controlled foreign company (CFC) provisions and, with the exception of Ireland, all provide an exemption from tax in respect of dividends and capital gains.

It still remains, however, that classic European holding company jurisdictions now face a new outstanding competitor. As we are moving forward in time from EU accession we are seeing more and more clients preferring Estonia as a holding company location to other traditional jurisdictions.

An advantageous tax regime enables an Estonian holding company to be used as a vehicle to have borrowings or equity financing from the ultimate parent company or non-associated company, to finance its subsidiaries with debt or equity, collect dividends, paid interest or service fees. Profit can be redistributed tax-free to a parent company via dividends or interest on loan and to a non-associated company as interest on loan.

Taxation of holding-structures has been kept simple in Estonia. There is no group-consolidation for taxation purposes on the basis of domestic laws per se; therefore, an Estonian company is taxed on a company per company basis alone. However, the law also foresees the participation exception principle to exclude double-taxation of dividends to shareholders. Therefore, under certain conditions the Estonian holding company may pass on dividends to its shareholders without any additional tax obligation.

The participation exemption is automatic and is applied vis-à-vis parent-subsidiary relations where the parent owns at least 10% of the subsidiary. Thereby in case an Estonian holding company has at least 10% participation in an Estonian subsidiary, then that subsidiary shall be liable for any dividend issued by the subsidiary, but thereafter the dividend may move upstream without any additional tax burden.

For holding structure purposes, it is important to note that the participation exemption also applies with respect to any dividends payable by subsidiaries that are tax residents of the European Economic Area country or in Switzerland. The participation threshold is the same 10%, so for example in case an Estonian holding company owned at least 10% of participation in a German company, then that subsidiary would be liable for any dividend issued by the German subsidiary as per German law, but thereafter the dividend may move upstream to Estonian holding and its shareholders without any additional tax burden.

The participation exemption also applies to subsidiaries of third countries, e.g. Russia, Ukraine, etc. The additional requirement is that for the participation exemption to apply, it must be evidenced that either 1) the underlying profit of the foreign subsidiary was subject to income tax or 2) withholding tax was applied to the dividend payment.

Lending in Estonia is made simple by the fact that Estonia is in the eurozone and there are no thin capitalisation rules. Lending is non-taxable as long as it is arm's length and compatible with business logic. The only exception is a loan to a person located in a low-tax territory, which is considered a business-unrelated expense.

Inbound interest is tax neutral, irrespective of source or rate (although transfer pricing rules have to be considered).

Outbound arm's length loan interest is not subject to corporate income tax. Payment of interest to non-resident recipients incurs withholding corporate income tax in Estonia only if the interest rate is substantially in excess of the market rate. Interest rates must comply with the market level either at the time of contracting or at the time of actual payment. If the interest rate does exceed the market rate and thus incurs a withholding tax, the tax rate is often limited by the provisions of the respective tax treaty.

There is no withholding tax on license fees paid to EU countries or Switzerland, provided that the 25% participation rule is fulfilled.

Service payments are not subject to corporate income tax, provided that transfer pricing regulations are observed, unless services are rendered in Estonia by persons entered into the local Commercial Register or constitute employment, directors or business income of private persons earned in Estonia.

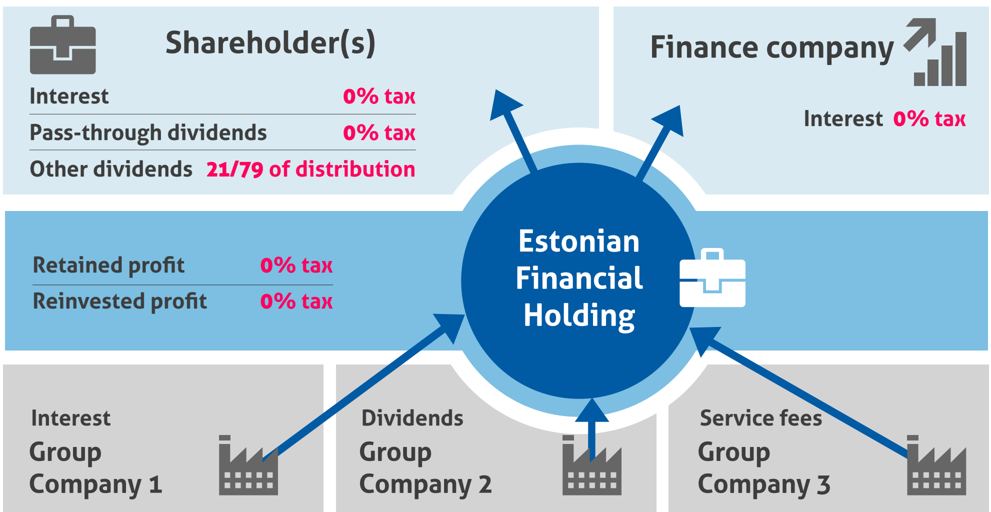
Estonian transfer pricing regulations mainly follow the OECD guidelines. Large groups of companies are required to compile transfer pricing documentations in two files (a group file and a local file). Any company conducting transactions with related parties may be asked by the tax authorities to present a documented methodology of the choice of transfer pricing methods and prices used.

Estonia has no thin capitalisation or CFC rules for corporate taxpayers.

How does it work?

- Invest through an Estonian holding company.
- Collect dividends or interest in an Estonian holding company.
- Dividends or interest collected from your investment are not taxed until distributed.
- Redistribution of dividends received is often exempted from tax.
- Interest paid to the parent company of an Estonian holding company is not subject to withholding tax unless it exceeds arm's length interest.
- Interest paid to a non-associated company is not subject to withholding tax unless it exceeds arm's length interest.

Thus, the total cost of pass-through dividends and interest is often the tax paid at the source country.



CHAPTER 4

Estonian Company for PERSONAL INVESTMENTS

In most countries personal investments are subject to taxation – even if the investment itself is made in a tax-exempt jurisdiction. In other words: as long as your investments are made under your name, you remain taxable and a major share of your profits will go to the tax authorities at the end of the year.

A personal investment company (PIC) allows you to move your investments offshore and gain tax exemption on all the profits generated. Registering an offshore company to manage and safeguard personal investments has a long history. Since the early 1980s people have chosen this instrument for tax reduction, security and confidentiality. The increasing number of offshore company registrations over the past ten years made the pricing for this structure more and more attractive. We have now reached a level that makes offshore personal investment companies no longer a product for the super-rich. Instead it should be considered as a valuable instrument to reduce costs and taxes and increase the overall profit of any investment.

How does it work?

A personal investment company owns assets and marketable securities. Thus, as a legal owner of assets (any type of investment) it is the recipient of the income produced by all assets. For enhanced privacy we recommend incorporating an Estonian personal investment company as an underlying company for an offshore IBC or private foundation.

Estonia provides several beneficial solutions for international wealthy risk avoiders and entrepreneurs.

Reasons for choosing Estonia include, but are not limited to:

- PICs located in Estonia may benefit from indefinite corporate income tax deferral. No corporate income tax liability arises as long as PIC profit is reinvested or retained. Costs are non-taxable if made for business-related purposes. Since there are no thin capitalisation restrictions, PICs may be financed with borrowed capital to any extent desired.
- As a general rule, capital gains derived by a PIC are not taxable here.
- From 2011, income tax deferral is also available to resident private persons wishing to invest in securities and other financial instruments. No personal income tax is charged until the moment the gain is drawn out of the investment account.
- Business-related, arm's length expenses such as loan interest, service payments, etc., are not subject to corporate income tax. Payment of interest to non-resident recipients incurs withholding corporate income tax in Estonia only if the interest rate is substantially in excess of the market rate. Interest rates must comply with the market level either at the time of contracting or at the time of actual payment.

- If the interest rate does exceed the market rate and thus incurs a withholding tax, the tax rate is often limited by the provisions of the respective tax treaty. The wide network of tax treaties also limits potential withholding taxes on incoming interest payments from other jurisdictions.
- There is no withholding tax on license fees paid to EU countries or Switzerland, provided that the 25% participation rule is fulfilled.

While the Estonian tax system encourages reinvestment of profits, it provides no tax benefits for parking recreational or luxury assets not related to business. Costs that have no business purpose incur corporate income tax at 21%. Fringe benefits to management or employees incur not only corporate income tax but also social tax contribution obligations, making the tax treatment of fringe benefits almost equal compared to salary.

CHAPTER 5

Estonian Company for ASSET PROTECTION strategies

As you begin to accumulate wealth and have some assets to protect, it is a good idea to implement asset protection strategies. Whether it is your personal assets, or business property, potential creditors are able to take it all from you – the legal system today often appears to be structured in favour of plaintiffs, rather than defendants. Asset protection vehicles can shelter your personal and accumulated family wealth and assets from unknown commercial risks like litigation or fraud.

It is a myth that asset protection is only for the extremely rich. Having an asset protection strategy is a necessity today for anyone who has a pension plan, anyone who owns a business, and anyone who has a bank or brokerage account with some funds in it.

The basic principle of asset protection is that any asset can be seized from you by a creditor except for assets you do not own. Therefore, asset protection strategies are all about removing you from the legal title to your assets, but allowing you to continue controlling them and enjoying its economic benefits.

There is no such thing as an iron-proof asset protection strategy. There is always at least a tiny chance for creditors to succeed, unfortunately. But you can make it extremely difficult for them to achieve this, which is the main goal of asset protection strategies – to make it as difficult and expensive as possible for a creditor to seize your personal property.

An asset protection strategy, if it is a good one, should discourage a legal opponent from considering pursuing you, and prevent the assets from being seized after a lawsuit is over.

There are a number of strategies, some simple and others sophisticated. None are equally good for two different persons, whose circumstances can never be identical.

Using legal entities, such as corporations, limited partnerships, limited liability companies (LLCs), and offshore companies to operate your business, delivers two types of protection. It safeguards your personal assets from business liabilities, in the first place. Secondly, your business assets are shielded from your personal creditors.

Using holding and operating companies is an asset protection planning strategy that helps to limit liability risks in your business structure. An ideal business structure consists of an operating entity that does not own any vulnerable assets and a holding entity that actually owns the business's assets. With this structure, the small business owner can eliminate (or, at the very least, substantially limit) liability both for business and personal debts.

The primary function of a holding company is to invest in other companies, commonly known as subsidiaries. Holding companies are usually not involved in the day-to-day operations of the operating company, but lend initial or ongoing financial support via cash reserves or stock sales, and may assist in restructuring the operational model to ensure profits. Holding companies are normally structured as corporations to protect assets, absorb financial losses and limit liability.

Operating companies are owned by the holding company, but are responsible for all day-to-day operations of the company. When a holding company creates or purchases an operating company, they are sometimes allowed to conduct business as usual – especially if they are profitable. Net profits after expenses are then handed over to the holding company. The operating entity conducts all of the business's activities and, thus, bears all the risk of loss. The owner's limited liability for business debts turns out to be no liability at all, because the operating entity contains little or no vulnerable assets, and the holding entity is not legally responsible for the other entity's debts. At the same time, the owner's liability for personal debts is reduced because assets are within the protective framework of a business form (i.e. the holding entity).

Maintaining privacy is another important factor in the asset protection structure. Jurisdictions specialising in financial services do have asset protection provisions incorporated in their laws, such as bank secrecy, confidentiality, hard initiation of litigation, etc. Therefore, a successfully implemented offshore strategy ensures maximum privacy in the first place, and it is practically impossible to penetrate. It is important to choose the right jurisdiction when establishing your offshore corporation.

And last but not least: however legally watertight your strategy is, it is better that it never be challenged in a court of law. Although your offshore company is protected by stringent professional secrecy laws, you even don't have to rely on those if you locate your assets and banking accounts in a completely different jurisdiction from the place of incorporation of entities that form your corporate structure. So by using this tactic you must make sure there is absolutely no information in place of incorporation about where the bank account is held, no who the signatory on it is.

You must also verify that there are no routine reporting requirements between the bank where you opened your account and any tax authority that has any possible interest in you. If they do not file any reports, the bank will not be a source of any leaks.

Your privacy advantage is that the government or creditors will first need to know that the account exists, under what name, and in which bank. Without that information, creditors can get almost nowhere.

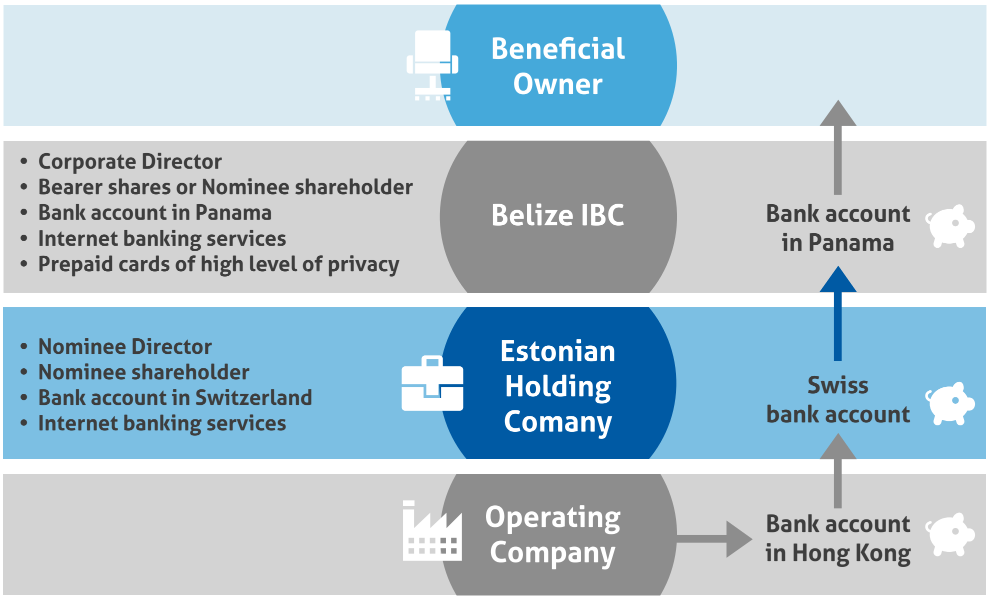
Using the described tactics enables you to enjoy three-layer protection: business structure, legal protection of a particular jurisdiction and diversification of assets and bank accounts in various countries.

Based on the above the simplest structure (Belize–Estonia) for asset protection may be described as follows:

- The Estonian holding company is set up by a non-resident investor / ultimate shareholder – Belize IBC;
- The Estonian holding company may acquire controlling interest in the equity of subsidiary companies registered and tax resident in various countries worldwide;
- **Dividends distributed by the Estonian holding company to the ultimate shareholder are not subject to corporate income tax if these are paid out of:**
  (a) dividends received from Estonian, EU, EEA and Swiss companies or from permanent establishments in which the Estonian company has more than a 10% shareholding;
  (b) Dividends received from all other foreign companies or all other permanent establishments in which the Estonian company has more than a 10% shareholding and underlying profits have been subject to foreign tax or foreign income tax was withheld from dividends;
  (c) Liquidation proceedings, share buy-backs or capital reductions, which have been subject to foreign taxation.

- The profit distribution from the various operating locations in the form of dividends to the Investor / ultimate shareholder will result in zero or minimal taxation.
- Belize does not disclose information under any information-exchange agreements to any foreign parties on the grounds of suspected tax evasion or similar grounds. Client confidentiality is strongly enshrined in the Belizean business legislation. In these terms, Belize is arguably the most secure and confidential offshore jurisdiction.

Contingent parts of the holding structure Belize–Estonia



- Three layers of protection and a high level of confidentiality of business ownership
- Applying nominee services provides an additional degree of protection and confidentiality

Sophisticated business structures are costly to set up and maintain and they require the help of qualified advisors – attorneys, accountants, etc. Thus, our basic advice is to set-up the simplest tax-efficient business structure available, to pay the taxes you owe in full and on time and then hide all your assets, wrapping them in a secure confidential offshore business structure.

HOW CAN

Sulvanius & Partners HELP YOU?

- We will help you preserve, create, manage and grow your wealth.
- We will protect your assets against crashes, bankruptcy, governments, unfair lawsuits, seizure and scams.
- We will help you bank offshore with multi-currency accounts in countries where privacy and private property rights are respected.
- We will give you access to our unique network of contacts who will guide you and help you protect and create wealth and do business around the world.
- We deal with several jurisdictions. We establish offshore companies as well and create complex tax-efficient and confidential business structures. Sometimes the best results can be achieved by combining Estonia with other jurisdictions. And if it turns out that the best way to achieve your goal is set up an offshore structure, we will establish an Estonian company free of charge for you!

Thank You!

Thank you for reading this report and we hope you've enjoyed this free resource. If you'd like to give us feedback or learn more how our firm can help you, feel free to contact us.

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Appendix A: Incorporation

Type of company: PLC (private limited company). PLC is a type of business entity where the company is owned by the shareholders. Shareholders are not personally liable for the obligations of the company, i.e. their liability is limited to the cost of their shares.

Registrar: Estonian Central Commercial Register

Time to incorporate: Via expedited electronic procedure 1 day. Registering a company through a notary public will usually take 2-3 days.

Registration fee: 140.60 euros for the entry of a private limited company in the register, 180.50 euros for submission of the initial registration pursuant to expedited procedure;

Shelf company availability: Yes. However, there is no need for self-made companies since it takes only 1 day to establish a company via expedited electronic procedure.

Taxation:

- Unique corporate tax system since 2000: all undistributed corporate profits are tax-exempt (0%).
- Individuals can have an investment account to benefit from the 0% corporate income tax.
- Flat income tax rate since 1994 (flat income tax rate at 21% applies both to individuals and companies).
- Electronic tax administration is well established. Business taxpayers can file, view and correct their tax returns online using the eTaxBoard. They can also use it to view their tax account balances and VAT returns, and submit VAT refund applications.
- Estonia has no thin capitalisation or CFC rules for corporate taxpayers.
- Estonian VAT legislation is based on the EC VAT Directive (2006/112/EEC).
- The standard VAT rate is 20% from 1 July 2009 and the reduced rate is 9%.

Minimum annual government fee: N/A

Disclosure of beneficial owner: Shareholder and director details are provided to the Commercial Register, which is public. The use of nominee shareholders and directors is possible. Estonia adopts money laundering legislation under which all service providers are required to know the identity of their customers before accepting a transaction. There are regulations in place that make it possible to order the disclosure of the beneficial owner. This type of event may occur if there is some question regarding the legality of actions taken by the beneficial owner or the nominee shareholder, making it necessary for government agencies to conduct an investigation. When so ordered by legal authorities, the incorporating agent must reveal the name and contact information of the beneficial owner, making it possible for authorities to establish communication with the owner and resolve the issues at hand.

Accounts must be filed and are available for inspection by the public.

Bearer shares: N/A

Standard authorised capital: EUR 2500

Standard minimum paid up: As of 2010, it is possible to establish a private limited company without paying in the share capital contribution; however, this option is available only in case company is founded by an individual (not a legal entity) and the amount of share capital does not exceed 25,000 EUR.

Permitted currency of capital: EUR

Minimum number of shareholders: 1

Minimum number of directors: 1

Corporate directors: N/A

Local directors: Not required. However, in accordance with the currently effective Estonian Commercial Code at least 50% of board members must be residents of the European Union, Switzerland, Norway, Island or Lichtenstein. It means if one board member is from any other country then another one must be a resident of the above countries.

Company secretary: Not applicable

Company seal: N/A

Public record of directors & shareholders: Yes

Location of directors and shareholders meeting: Anywhere

Telephone board meeting: Yes

Access to Double Tax Treaty: Estonia has tax treaties with more than 50 countries, which not only ensures the exclusion of double taxation on the income from the business with treaty countries, but also lowered withholding tax (WHT) rates on dividends, royalties and interest income received by Estonian tax residents.

Requirement to file account: Yes

Requirement to keep account: Yes

Requirement to file annual return: Yes

Change in domicile: Not permitted

Local registered office address: If the residence of at least half of the members of the management board of a private limited company is not in Estonia, in another member state of the European Economic Area or in Switzerland, the private limited company shall submit to the Commercial Register the Estonian address of one person, which can be used for the delivery of the official procedural documents.

Appendix B: Cost and Benefit Analysis

Corporate Registration Efficiency: Very efficient. Name search takes place in real time, and results are displayed within 10 seconds. A company can be incorporated via expedited electronic procedure in 1 day.

Availability of Name: Names are easily available.

Confidentiality: Details of shareholders and directors are public records but some degree of confidentiality is achieved using the nominee structure.

Political Stability: Excellent. Estonia is a member state of the European Union, eurozone, NATO, Schengen and OECD. Also, because the aforesaid the reputational issues surrounding offshore jurisdictions do not affect Estonia.

Maintenance Cost: Compared to other jurisdictions it is very competitively priced.

Legal System: The legal system in Estonia is based on the Continental European civil law model and has been influenced by the German legal system. Unlike common law countries Estonia has detailed codifications and issues are solved according to the codifications.

Registrar: Estonian Central Commercial Register. Estonia's e-Business Register is an advanced and secured tool that allows entrepreneurs to register their new business online in just minutes, without ever having to go to a notary public or government office.

Location: Estonia is within 3 hours' flight from most major European, Scandinavian and Russian cities. The vicinity of major Northern European cities such as Stockholm, Helsinki and St. Petersburg helps entry into cross-border business relationships. Estonia is the link between Western and Eastern Europe.

Exchange Control: There are no exchange controls in Estonia.

Rate of Tax: Very favourable, all undistributed corporate profits are tax-exempt (0%).

Double Tax Treaty Access: Estonia is a signatory more than 50 double tax treaties with several countries throughout the world. Some forms of income are exempt from tax or qualify for reduced rates. These include royalties, dividends and capital gains.

Local Banking Services: The leading Estonian banks are owned by banks domiciled in the Nordic countries. Estonia's world class internet banking services are a showcase for country's well-developed IT infrastructure.

Time Zone: Estonian Time is in the Eastern European Time Zone. Eastern European Standard Time (EET) is 2 hours ahead of Greenwich Mean Time (GMT+2).

Reputation: Estonia is a member state of the European Union, eurozone, NATO, Schengen and OECD; thus, the reputational issues surrounding offshore jurisdictions do not affect Estonia.

Appendix C:
Bank account in Estonia

Name of Bank	Website	Services	Min. Initial Deposit	Currency Offered	Visit Required
SEB Bank	www.seb.ee	Online Banking Yes Debit Card Yes ATM Card Yes	N/A	Major currencies like US$, GBP, EUR, etc.	Yes*
Swedbank	www.swedbank.ee	Online Banking Yes Debit Card Yes ATM Card Yes	N/A	Major currencies like US$, GBP, EUR, etc.	Yes*
Danske Bank	www.danskebank.ee	Online Banking Yes Debit Card Yes ATM Card Yes	N/A	Major currencies like US$, GBP, EUR, etc.	Yes*
Nordea	www.nordea.ee	Online Banking Yes Debit Card Yes ATM Card Yes	N/A	Major currencies like US$, GBP, EUR, etc.	Yes*

* If using a nominee director service there is no need to visit a bank. A nominee director shall open a bank account and transfer the bank account signatory rights and security elements (PIN calculator, etc.) to the ultimate beneficial owner.

INCORPORATE
in Estonia

Creating abundance through awareness

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