

# Tax scheming or tax planning?

We all know there are companies that are so eager to avoid paying taxes that, in reality, they have started to gamble with the mere existence of the success of their business. In the eagerness to avoid income taxation, the decisions may seem, at first glance, to be money-saving, but later turn out to be more expensive – on top of the actual tax obligation, you will also need to pay fines and interests.



This type of tax avoidance takes more time and effort than it is worth as the law cannot be endlessly interpreted.

It is time for all companies to focus their resources towards more realistic goals and instead of tax avoidance, try to critically evaluate their business models and the subsequent tax burdens.

Focus points on tax issues for a successful business model:

- It is wise not to rush – if you are not sure if or how taxes affect your business, check it out first!
- If your company has temporary workers or employees based abroad – is it clear to you where and under which country's tax system you have to pay social taxes, and do you need to withhold income taxes elsewhere than in Estonia?
- If your company has temporary workers or employees based abroad – would this be considered a permanent establishment in the other country and do you need to pay any income tax abroad?
- If you enter into transactions within the company group – you have first to make sure that the transactions are at arm's length, i.e. made on market conditions.
- If one company's intellectual property (such as trademarks, copyrights, patents) are used by another company, this is considered to be a transaction that needs to be formalised in a licence agreement and a license fee must be applied.
- In case crypto currencies are part of your business model, this fact needs special attention, specifically e-wallets.

NJORD Law Firm is ready to assist you in structuring your business model and optimising your taxes following the law and agreements.

(Authors: Anne-Lii Kask, Anne Veerpalu)



**VIRGI NAEL**  
HEAD OF BANKING AND  
FINANCE

(+372) 524 1668

VIRGI.NAEL@NJORDLAW.EE