



GRATA
INTERNATIONAL

Local Knowledge
for Global Business

www.gratanet.com

E-residency in Estonia - an affordable service for Moldovan entrepreneurs



GRATA INTERNATIONAL

Igor Popa, a Senior partner at the Popa & Associates, the associate office of GRATA International in Moldova, spoke in an interview with BizLaw about the opportunities of the E-residency service in Estonia for Moldovan entrepreneurs.

We all know how expensive our time is. This is more likely to be felt when we have a business, and interaction with state institutions is inevitable. However, there is also a solution for this kind of time-consuming activity. More specifically - e-residency in Estonia. In order to find out what this tool means, how can a business be expanded not being linked to place of its registration, we discussed with Igor Popa, lawyer at the Popa & Associates Law Office.

Since the e-residency service has been launched for all entrepreneurs from all over the world, the "Popa and Associates" law firm has gained experience in registering such businesses, and through Estonian partners, the service is also accessible to Moldovan entrepreneurs. Find out from interview, what opportunities does e-residency offer and what are the benefits.

BizLaw: Mr. Popa, your law firm has experience with e-residency. Before discussing the benefits of such an instrument, I would like you to explain what e-residency means.

Igor Popa: This tool is a digital ID issued by the Government of Estonia, and I would like to point out that it is accessible to interested people around the world. The interesting part of e-residency is that you have the freedom to set up and run an online company from anywhere in the world.

Regarding beginnings of e-residency, this program was launched in 2015 and, for three years, more than 30,000 people from 154 countries applied for e-residency. Together, they lead more than five thousand companies. A significant part of those who are e-residents already have plans to open a business in the near future, and further improvements to the program have the potential to exponentially increase the number of e-residents.

Bizlaw: Such a service is also available for Moldovan entrepreneurs. What is the experience of the law firm you are leading in this area?

Igor Popa: The law firm "Popa and Associates" through Estonian partners has already registered such businesses and we continue to apply for e-residency for Moldovan businessmen.

International law firm Popa and Associates wants this service to be popular in Moldova too, in order to simplify business management. The good side is that an entrepreneur who wants to obtain e-resident status must submit only a minimum set of documents and benefit from our experience in this area.

Bizlaw: For whom was e-residency created and by whom can it be used? Can we say that this tool comes to reduce the administrative costs and difficulties of running the company?

Igor Popa: Certainly yes. This is also the objective of e-residency. Depending on the object of activity, those who have access to the electronic services offered by Estonia are the entrepreneurs.

However, people who tend to benefit most from the opportunities offered by e-residency are several types of entrepreneurs. Here we are talking about entrepreneurs offering online services, those who do not have a physical location and are traveling "digital nomads" or those who want to leave the country in the future or simply reject the costs and constraints of a fixed office. Another category of entrepreneurs accessing this tool are those who want to work without obstacles abroad and do not want to have physical presence in several states. E-residency is also available for professionals who work alone, freelancers, or contractors.

As I have already said, e-residency brings cost optimization and reduces bureaucracy imposed by a company's business, and another advantage is that entrepreneurs can operate within the EU legal and business environment, in order to benefit from increased online trust and have access to funding.

The service is intended for entrepreneurs who speak Russian and English, as Estonia's digital infrastructure, as well as almost all private services, can be accessed in these languages even though business service providers add their own languages.



GRATA
INTERNATIONAL

BizLaw: What happens when an entrepreneur accesses e-residency? What can an e-resident do?

Igor Popa: With the digital identity card, a lot of electronic services can be accessed. Most e-services available to e-residents are currently business related. The digital ID card can only be used in an online environment and is not a valid form of identification outside of the internet. It is important to note that although e-residents receive government-issued digital codes (IDNPs) similar to those of citizens, e-residency does not confer citizenship, tax residency, residency or right of entry into Estonia or the

European Union. That digital ID card cannot be used as a physical identification or as a travel document.

In other words, e-residency empowers the person with all the tools he needs to establish and manage a location-independent business from anywhere in the world.

Having experience in this area and having partners in Estonia, let me tell you what opportunities e-residency offers.

First, digital signing of documents and contracts and verifying the authenticity of signed documents or encrypting and transmitting documents safely. Similarly, other possibilities include setting up an Estonian online company, managing the company from anywhere in the world, and applying for third-party services such as e-Banking and remote money transfers. Accessing online payment service providers and declaring taxes online (in Estonia) are other opportunities that can be accessed.

BizLaw: However, certain conditions must be met, in order to access e-residency. Which are these?

Igor Popa: Estonia invites everyone to become an e-resident as long as the conditions imposed by the program are met. First, the person who wants to be an e-resident must have a reasonable interest in the use of electronic services in Estonia and must not live in Estonia with a permit or residency right. Similarly, an e-resident entrepreneur should not be a foreigner residing in Estonia under the International Military Cooperation Act and not holding an identity or residency card issued by the Police and the Border Guard Board.

Before becoming an e-resident, all applicants are screened by the Estonian police and the Border Guard Board, in order to ensure that digital identity is used by a person with honest intentions.

BizLaw: Mr. Popa, why an entrepreneur from the Republic of Moldova should choose e-residency? Why would he need such an instrument, since in his country electronic services are in full swing?

Igor Popa: From our experience, our customers, who used this service, have only gained. And I tell you why. In addition to being able to run an online business, e-residency is used by entrepreneurs, in order to sign documents wherever they are through secure digital signatures. This means, for example, that partner assemblies can take place at a distance (online), and entrepreneurs / associates can instantly approve online decisions instead of having to travel or scan / sign the papers signed by them.

Additionally, the secure digital identity provided by e-residency can help, in knowing customer or partner, companies who need to authenticate their customers online. This can allow companies to interact with their customers from e-resident community more quickly, easier and at a lower cost than with other customers.

BizLaw: Can this tool be described as one that avoids certain mandatory payments?

Igor Popa: Definitely not. And that's because if an entrepreneur wants to avoid paying taxes, he cannot automatically get e-residency. Although e-residency can help reduce costs and remove barriers to business development, it does not rewrite existing international treaties on tax matters so that all entrepreneurs have to pay taxes correctly if they are due. And I'll come up with an example - a company still has the obligation to pay taxes if it earns revenue and needs to import goods into the EU, if the company does it outside of the community space. In addition, if a physical place is needed within the EU, such as a financial institution, then e-residency is not a solution to this. Similarly, people who want to obtain Estonian citizenship or the right to travel or live in Estonia or the European Union cannot benefit from this service. E-residency offers online access to Estonian public services and business, although there is a possibility to get an entry visa as Startup visa.

E-residency is also not compatible with people with criminal intentions. E-residency is a government-issued digital ID card that provides open and transparent business access. All applicants are subject to preliminary checks by the Estonian Police and the Border Guard Board, in order to ensure that it is used by legitimate contractors. It is not possible to use e-residency, in order to

hide business interests because shareholders, owners and taxation are public.

No larger firms, especially those involved in manufacturing, are accepted in the program. These companies have complex needs as well as physical offices so they cannot benefit from reducing administrative costs through location independence in the same way that smaller and single-person companies can. However, larger companies can benefit from the advantages of e-residency in other ways - such as the use of digital signatures in order to replace handwritten signatures or the use of digital ID cards in order to improve customer / partner knowledge (Know Your Customer), as I mentioned earlier.

Individuals who are unable to obtain international financial services because they live in a jurisdiction classified as "high risk and non-cooperative" by the Financial Action Task Force (FATF), cannot be e-residents of this program. Currently, these are North Korea, Syria, Iran, Iraq, Pakistan, Serbia, Ethiopia, Trinidad and Tobago, Vanuatu and Yemen. However, this is based on residency, and not on nationality, so that citizens of those countries living abroad can benefit from the advantages of e-residency.

BizLaw: Tell us the procedure for obtaining e-residency. What steps should an entrepreneur follow in order to gain e-resident status?

Igor Popa: There are several simple steps. First of all, an online form is required, which is in English. It takes up to 15 minutes. Subsequent completion of the form will require several documents, such as a copy of the applicant's identity card, a passport photo, a letter of motivation, and a bank card (Visa / Master card) in order to pay the state fee.

The state fee paid by the applicant amounts to 100 euro and covers the administrative costs related to the administration of the digital ID card and the checks carried out by the state institutions. At the same time, it will be necessary to indicate the location where the applicant can pick up the digital ID card. It can be picked up at any embassy / consulate of Estonia or the Police and Border Guard Board in Estonia.

After sending the completed form, the requesting person will receive a confirmation of the form receipt and then the checks made by the Estonian Police and the Border Guard Board follow. Application processing takes about 30 days. During this time, the Estonian Police and the Border Guard Board may request additional information from the requesting person. It is also possible to find the status of the application by contacting the Estonian Police and the Border Guard Board.

BizLaw: What happens after the entrepreneur who has applied for e-resident status is accepted?

Igor Popa: Once the application has been accepted, the requesting person will be notified by email by the Estonian Police and the Border Guard Board. Subsequently, he will receive another e-mail about where the e-residency kit can be picked up. In addition to the digital card itself, the requester will receive a reader card and access codes. The digital identity card will be kept for six months at the headquarters mentioned by the requesting person in the form, and if it is not picked up during that time, it will be destroyed. Finally, before you get your ID, your fingerprints will be taken and you will put a physical signature. Afterwards, managing your business becomes simple and convenient.

BizLaw: Estonia is one of the most technologically advanced states. From your experience of interacting with partners there, what do we have to learn from them?

Igor Popa: We have to learn that the technological services and novations save time. E-residency is, in this regard, a very good example. Although certain procedures have been simplified in the Republic of Moldova and various electronic services are being implemented more and more, Moldovan entrepreneurs need to know that they can access this service. We, with experience in the field, come with the necessary support and assistance.

BizLaw: Thank you!

Source: interview for Bizlaw.md portal, 2 May 2019.

Locations

MOLDOVA

Key contacts



Igor Popa

Senior Partner, Representative of GI
in Europe

📍 Chisinau, Moldova

📍 Frankfurt on Main, Germany

☎ +49 151 61106970

✉ ipopa@gratanet.com