

Estonia 'e-residency' offers Brexit Brits EU loophole

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Taavi Kotka, Estonia's chief information officer, presents the e-residency IDs project. As Brits brace for the upheaval that Brexit could bring, some are turning to Estonia's e-residency digital ID programme to keep doing business across the EU.

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Using its knack for digital innovation to capitalise on the global explosion in e-commerce, the small cyber-savvy Baltic eurozone state became the first country to offer e-residency identification cards to people worldwide in 2014.

Touted as a "trans-national government-issued digital identity", e-residency allows users to open a business in the EU and then run it remotely with the ability to declare taxes and sign documents digitally.

It does not provide citizenship, tax residency, physical residency or the right to travel to Estonia. Applications can be made online via the www.howtostayin.eu website and cost 100 euros (\$112).

Just over 22,000 people from 138 countries across the globe have become e-residents so far, including around 1,200 Brits and last year's Brexit vote triggered a boom in applications from the UK.

Before it, only three British citizens applied per week, but that shot up to over 50 in its aftermath. There was also a 75 percent spike in UK traffic on the website after Prime Minister Theresa May triggered the Article 50 EU exit clause in March.

A "soft Brexit" would mean that Britain could retain access to the European single market like non-EU member Norway. But the "hard Brexit" option that has prevailed so far would see Britain leave the European single market and the customs union, creating a nightmare scenario for UK businesses as there would no longer be free movement of goods and services.

"The UK may have chosen to leave the EU, but its entrepreneurs can still choose to remain inside the EU's business environment" through e-residency, programme director Kaspar Korjus told AFP.

E-residency spokesman Arnaud Castaignet explained that if a British entrepreneur becomes an Estonian e-resident and establishes a company producing goods in Estonia then they "will have the same access to the EU market as any EU company."

So far the majority of companies established by e-residents are in consultancy services, IT programming, web developing, business support services.

'Insurance policy'

Winners of the Mayor of London's 2017 Entrepreneur competition say they signed up for e-residency to mitigate the risk Brexit poses for their business, a startup making environmentally-friendly wet wipes.

Ellenor McIntosh and Alborz Bozorgi both live in London but say they took up e-residency in order to be able to keep their company, Twipes, inside the EU's single market.

Billing Twipes as "the future of toilet paper", its owners say they have registered it both in the UK and Estonia to boost investor confidence.

"We had discussions with many investors from across Europe, Cyprus and Estonia in particular, and they view the uncertainty of Brexit as a huge risk," Bozorgi told AFP via email.

"We had to incorporate in both the UK and EU as a method of hedging risk," he added.

If Britain loses access to the single market, however, the company would need to source materials and produce Twipes inside the EU to keep duty free access to the bloc.

Brit Dirk Singer established his Rabbit digital marketing agency six years ago in the UK, but wary of Brexit he digitally relocated it to Estonia last year thanks to e-residency.

"I applied for e-residency shortly before the EU referendum last year. Essentially, I was not so optimistic that we would vote to stay and so I saw this as an insurance policy," Singer told AFP.

"Two of my five biggest clients are from the EU. I'm concerned that as a small UK service-based business, Brexit could start to make life difficult for me."

British writer Will Mawhood who runs the "Deep Baltic" culture website says he jumped at the opportunities and flexibility e-residency offers, especially having his company registered in a eurozone member.

"I split my time between the UK and Latvia, but since all my work is online, I often spend prolonged periods of time in other countries," he told AFP.

"People involved in my company are based in a variety of countries, so having to sign important documents in person would be unnecessarily time-consuming and complicated," he added.

Digital banking

An upgrade to the e-residency programme in May saw Finnish fintech company Holvi team up with Estonia to launch , eliminating the need for e-residents to travel to take care of business banking.

Korjus told AFP that there are signs that this uniquely Estonian [digital innovation](#) is catching on abroad.

"We've had interest from governments around the world who are keen to understand the programme and even introduce their own versions of e-residency."

He insists that safeguards are in place to prevent the programme from being abused for tax evasion or money laundering, including police checks of applicants.

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