

AmCham Estonia
American Chamber of Commerce Estonia

ADVOCACY & POLICY AGENDA

2018-2020

FOR A MORE COMPETITIVE ESTONIA

CONTENT

- 3 TAXATION
- 6 INTELLECTUAL PROPERTY RIGHTS
- 9 LABOR & TALENT
- 11 TRAVEL & TOURISM
- 13 HEALTHCARE
- 17 COMMITTEES
- 19 MEMBERSHIP DIRECTORY

TAXATION

The Role of the Estonian Corporate Tax System in Attracting Foreign Direct Investment and Estonian National Competitiveness in the Region

The American Chamber of Commerce Estonia (AmCham Estonia) believes that Estonia needs to address several taxation issues outlined below to help maintain a competitive position in the region and attract more foreign direct investment into the country. Since the Estonian government's strategy is oriented towards the creation of additional high-value jobs in Estonia and bringing "bright minds" into the country to add value to the economy, AmCham Estonia believes that the way to transform Estonia from a low-cost labor and contract-manufacturing country into an innovative and creative science and technology-based economy, would be to enhance a few nuances in the current Taxation system, including R&D incentives, labor taxes, and stock award program.

Taxation Issues Identified by member-companies and investors:

- **Employment Taxation/Social Taxes/Sick Leave Compensation & Burden**
 - No possibility to separate pension and health insurance components of the social tax.
 - Lacking voluntary social insurance for non-working family members.
 - Sickness pay regulations disfavor employees to a considerable degree.
 - High labor taxes affect the wage cost competitiveness in low value-added sectors, as the deferred taxation on reinvested profits does not provide a substantial relief to the employer.
 - Net wages of lower-paid employees are under pressure due to the low tax free threshold.
- **Stock Award Program with Fringe Benefit Tax for Employer**
 - Rigid and outdated fringe benefit taxation.
 - The Estonian Income Tax Act clearly mentions only the taxation of stock options, but at the same time does not define explicitly the concept of a stock option.
 - As a tax exemption, issuing a stock option is not considered a fringe benefit if three years pass after issue of the option to the employee and before exercising it. If the employee should decide to sell the option within three years, the fringe benefit tax is paid by the employer instead of the employee. The latter is still taxed on capital gains from the sale of option shares.
 - The high tax cost of the benefit for the employer and zero to the employee.
 - The taxable fringe benefits received by a resident employee are in general not included in the taxable income of the employee for Estonian tax purposes.
 - The absence of clear guidelines from the local tax authorities and/or relevant court practice regarding the stock award/stock option programs.
- **Absence of R&D credits/Incentives**
 - No R&D tax incentives.
 - High employment taxes in Estonia.
 - Estonian corporate tax system benefits profitable companies who can turn their profit into additional investments and thereby boost growth.
 - R&D companies are usually not profitable in the development phase, so the corporate tax system does not provide any support to such companies.
 - R&D companies' tax burden (from employment taxes) in comparison to the value of their assets of profits is significantly higher than that of low value production companies, because R&D sector's salary costs are often multiple times higher than those in the production sector.

- **Necessity to Cap Social Tax**
 - Delay in actual application of cap and high threshold, also the intention to impose the cap only on pension share.
 - Setting the cap will foster the recruitment of educated and high-skilled employees from abroad and encourage foreign investors to invest into the higher added-value segments and respective jobs.
 - Enables to reduce emigration risk of high-skilled specialists.
 - Help to fight more efficiently against tax optimization using companies and dividends distributions instead of paying salaries.
- **Taxation of Capital Gains**
 - Capital gains from sale of shares taxable, as opposed to neighboring countries.
 - No participation in respect to capital gains from sale of shares of a subsidiary. Such participation exemption may be found for example in Finland, Sweden, Lithuania, Latvia (since 2013), Cyprus, and the Netherlands etc.
 - It's a huge disadvantage compared to the neighboring countries, where the shares of subsidiary may be sold without any tax at the level on the parent company.
 - Participation exemption will give Estonia an additional competitive advantage and a signal to potential investors that regional holding companies with regional managerial jobs are welcome to Estonia.
 - Without this exemption, foreign companies will be reluctant to establish Estonia as their regional headquarters, i.e. which as a result will mean less high skilled jobs and decision makers for the Estonian economy.
- **Alternatives to preserve state tax revenue**
 - Consider taxing corporate income on an annual basis, regardless of distribution.
 - In order to preserve Estonia's competitiveness as a jurisdiction with a favorable corporate income taxation regime, the tax rate should be kept low, double taxation avoided and tax administration kept very simple.
- **High energy taxes distort international competitiveness and limit investments**
 - Estonia is narrowly implemented obligatory tax exemptions for energy excise duty and applies flat tax rate on renewable charge, not considering the principles of European Union directive and rules of

European Commission insisting the importance to apply the lowest possible tax rates to ensure the competitiveness of energy intensive companies.

- Estonia has chosen non-competitive tax burdens having adverse impact particularly to exporting, large and energy intensive companies. As result of this the large and energy intensive companies will bear unreasonable tax load and pay millions of euros more for energy taxes compared to many European countries.
- The competition suffers particularly in comparison with Finland and Sweden, which amongst many other factors compete in the sectors adding value for the national resources like wood, etc.
- Setting the caps will foster the growth of existing companies and would deliver additional foreign investments into industrial sector in Estonia.

Corresponding recommendations:

- **Employment Taxation/Social Taxes/Sick Leave Compensation & Burden:**
 - Keep reducing personal income tax rate, or at least to increase the income-tax-free minimum threshold in order to cut labor tax costs on below average wages in labor-intensive sectors.
 - Consider to divide the social security tax burden between the employees and the employers.
 - Consider the health insurance (13%) to be voluntary in certain circumstances (e.g. in situation where the health insurance is covered by private insurance system).
 - To ensure the sustainability of the health care system, the costs made for the benefit of the employees' health should be exempt from fringe benefit tax and voluntary sickness, life and accident insurance should be introduced to which the employer contributions would be tax exempted to a certain threshold.
- **Stock Award Program with Fringe Benefit Tax for Employer**
 - Promote among the employers the grant stock awards and stock options instead of simple monetary payments to the employees.
 - Encourage the government to review different compensation mechanisms and adjust Estonian taxation legislation to cover this present situation.
 - Consider allowing the fringe benefit tax exemption to different compensation mechanisms (e.g. shorten the tax exemption period from present three years to one year).

- Offering different kinds of solutions of how to postpone or even exempt stock award and/or stock options from the fringe benefit taxes (considering a setting a cap to the fringe benefit tax regarding the stock award and/or stock options; offering registration of the stock awards program to shorten the time period where it's being taxed and for avoidance of the misuse of the program).
- **Absence of R&D Credits/Incentives**
 - Capping social tax of temporarily employed foreign R&D experts.
 - The proposal is specifically oriented towards temporary foreign experts, because the cost of capping the social tax for such people would be lower as they would not benefit from the Estonian state pensions and other social security guarantees as much as local people.
 - We would recommend reducing the health insurance part of the social tax from 13% to 3%.
 - Lowering of personal income tax of temporarily employed foreign R&D experts.
 - In conjunction or separately from the capping of social tax, we would propose lowering the personal income tax rate of temporarily employed foreign R&D experts from 21% to 10%.
 - Exempting profits from intellectual property licensing (e.g. patents) from corporate income tax or lowering the applicable tax rate (e.g. to 5%).
 - For those companies, that will manage to effectively develop innovative products and protect those with patents we would propose exempting the profits from the utilization of such patents or taxing those profits with 5% corporate income tax, instead of standard 21%.
- **Necessity to Cap Social Tax**
 - Applying an upper ceiling (cap) for social tax as soon as possible is a must.
 - The tax legislation should be amended in such way, that starting from a certain level – according to our assessment, the suitable level starts from 2x monthly gross average salaries – neither the employer nor employee would have to pay social tax from gross salary (labor taxes will be fully paid up to this amount).
 - All social benefits should be capped with the same limit to decrease the governmental expenses.
 - Consider reducing the cap threshold, as well as its extension, in addition to the health insurance share of the social tax.
- **Taxation of Capital Gains**
 - Allow participation exemption in respect to capital gains from sale of shares of a subsidiary.
- **Corporate income tax on equity**
 - Instate a corporate income tax on equity that would be deductible from dividend distribution tax.
 - The idea is to raise tax revenue, encourage businesses to use their equity effectively and protect minority shareholders' interests.
 - Tax rate below 5%.
 - Keep tax administration very simple and avoid variations and exemptions.
- **High energy tariffs and taxes**
 - Implement the tax exemptions and ceilings for energy excise duty considering the principles of European Union directive (2003) insisting on the importance to apply the lowest possible tax rates to ensure the competitiveness of energy intensive companies.
 - Implement tax ceilings for renewable charge considering the 2014 State Aid Rules of European Commission which highlights that the charges levied for the funding of renewable energy support make up an increasing proportion of the energy bill for industry, which constitutes a very high burden for some energy intensive companies, in particular those exposed to strong international competition.

INTELLECTUAL PROPERTY RIGHTS

Estonia needs a strategic approach towards the awareness, efficiency and enforcement of intellectual property rights; and protection of valuable assets like personal data

Enhancing innovation and economic development depends on the awareness, efficiency and compliance to the fundamentals of intellectual property rights protection as well as the adherence to privacy and personal data protection principles.

Intellectual property (IP), be it a patent, trademark, brand, copyright or any other form of created valuable know-how and data, makes up a constantly increasing share of today's business value. Estonia has become known around the world as an innovative country. Innovation requires an enabling business climate for a constant creation of new and better solutions, techniques, technologies, networking communications, etc. It also means that the State has to put efforts in creating an IP rights framework and financial support measures that motivate innovators to reside in Estonia and to not transfer their IP abroad. Only in this way, we secure the growth of Estonia's economy in the long term.

It is our belief that a firmly established and transparent system of IP's value protection ensures innovation, development and sustainable economic prosperity in Estonia

Referring to recent developments in the European privacy and data protection arena, the AmCham sees equal importance in establishing firm foundation for long-term compliance to the EU General Data Protection Regulation adhering to the principles of protection of individuals' rights and freedoms as one of the most important human rights.

AmCham Estonia raises the following issues for maintained attention:

1. Estonia needs a long-term strategy to support the creation and value-maximization of intellectual property

Short term objectives

- 1) Prioritize intellectual property issues, starting with reviewing all new business environment-related legal acts from the point of view of whether they support Estonian innovators to create, register and monetize their IP through a local company.
- 2) Increase investments into R&D so that Estonia's research institutions have the possibility to stop the "brain drain" and develop technologies that are valuable to businesses locally and abroad.
- 3) Educate personnel at research institutions on how to monetize the IP that they create. In this way an efficient technology transfer between public sector and private sector can be achieved and more investments into R&D are secured.
- 4) Review the strategies and legal regulations directed at the creation, development and protection of IP, taking thorough account of the Estonia's accumulated practice in the field.

Long term vision

- 1) Estonia creates an efficient and consolidated state funded supporting network for companies and research institutions in Estonia to get guidance and assistance in questions such as the creation and protection of intellectual property and how intellectual property protection increases its importance while companies mature. Other countries are contributing more and more financial resources to exactly that cause by establishing special foundations that invest in IP creation and acquisition by local companies.
 - 2) Estonia offers a specific easy tax model for starting businesses and value creation to enable them to focus on innovation and growth first.
2. Estonia should increase IP-related awareness starting from education institutions, investing in communication campaigns, but also supporting networks that train entrepreneurs on both general and more specific IP-related issues.

Short term objectives

There is a gap in Estonian educational system, which results in the low level of IP awareness among high school and university students, manifesting in a low level of IP awareness among local entrepreneurs and researchers.

- 1) Intellectual property issues be added as compulsory part of civic and economic lessons in high schools with training schedules set for teachers.
- 2) "Introduction to the Intellectual Property" be added as a compulsory subject of any curriculum chosen in the university.

Long term vision

- 1) Systematic education to the public about the value of intellectual property

3. Estonia needs to establish legal clarity to enforce intellectual property rights in both criminal and civil proceedings

Short term objectives

- 1) Move the protection of IP up the state's priorities list, which requires improvements in administrative capacity in detecting and combating IP offences. Ensure effective IP protection (both in legislative and executive level).
- 2) The public sector is in the best position to lead in implementing effective control procedures. Ensure that companies abusing intellectual property rights

would not be able to sell goods or services to the public sector and/or be unable to participate in public procurements. We note with concern that the new Public Procurement Act excludes the previously explicit demand to check the IP rights are protected in public procurements

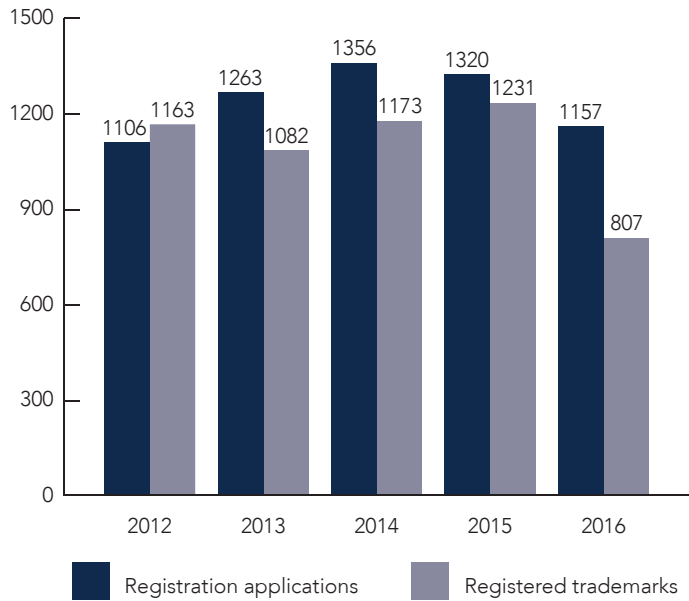
Long term vision

- 1) The focus of the legal framework is on protecting the creator (IP right-holder) versus the end-user. Legal norms for claiming compensation for IP infringements are to be made clear, simple, and fast. Default compensation for damage could be established at least in the sum of the two- or threefold standard price of the infringed right unless higher damages can be proven.
2. Legal environment and (court) practice that supports shaping private person's as well as legal persons ethics that respects IP rights. Compared to the recent court practice, the objective is to avoid the situation where the infringer can escape from any liability by transferring its illegal activities to another entity or by closing and deleting the entity from the business register without any legal consequences.
3. Restrictions to IP rights are avoided within any sector – the intellectual property rights (be it international trademarks, patents, brands or copyright) are protected for the long term with no exceptions providing certainty for the creators and right-holders.

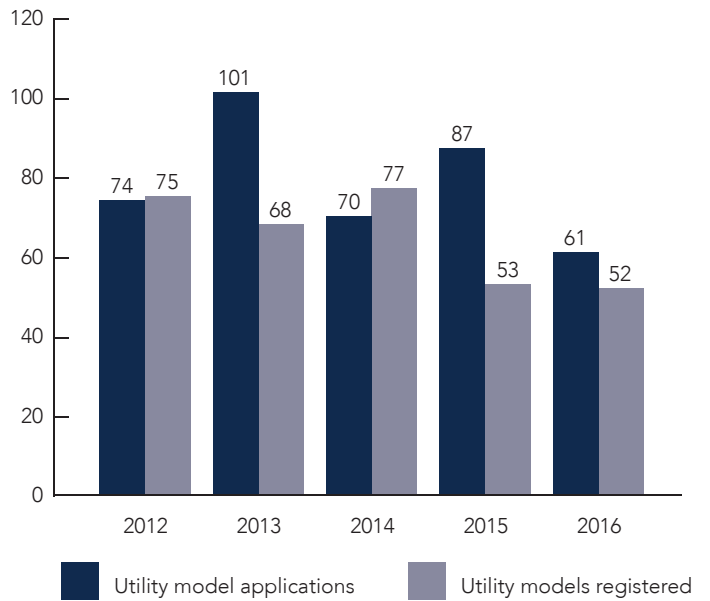
“ The AmCham Estonia IP Committee is committed to working with Estonian institutions and policy-makers to further develop a strong, cost effective and strategically shaped IP system for obtaining, licensing and enforcing intellectual property rights for all parties involved.

”

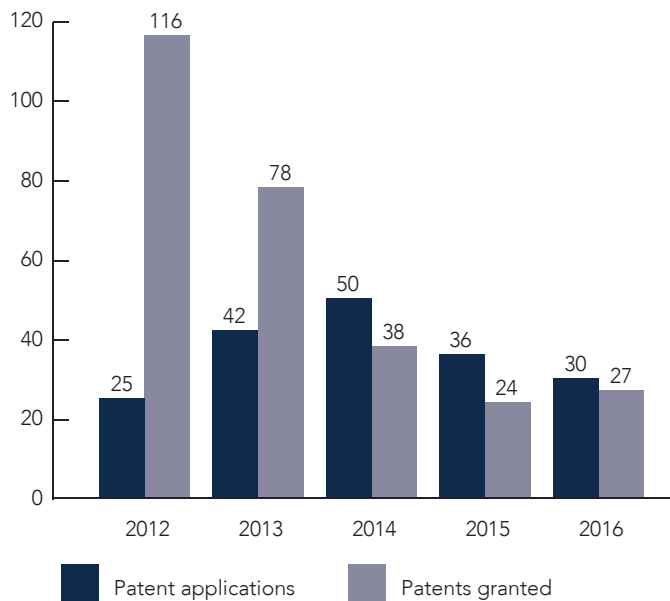
Number of national applications for the registration of a trade mark filed with the Estonian Patent Office and registered trade marks



Number of utility model applications filed and utility models registered in 2010–2016



Patent applications filed with the Estonian Patent Office and granted patents 2010–2016



LABOR & TALENT

Developing the Full Potential of Estonia's Human Capital and Making the Country an Attractive Destination for International Talent

AmCham Estonia welcomes Estonia's tangible progress in attracting and retaining foreign talent and making it easier for companies to attract top-tier professionals worldwide. Changes to the Aliens Act, which have come to force in 2017 and earlier have already demonstrated their positive impact on Estonia's potential as a global player in the innovative industries of the future.

Added value of the global economy is increasingly generated in the services sector. In Estonia too, the share of services in GDP is now over 70%. This trend continues and Estonia faces new challenges in the global community. In these circumstances, education needs to be set as the highest long-term priority with clear short and mid-terms goals that could be progressively measured and adjusted. AmCham members stand ready to work together with the Estonian society and authorities to make sure the trends of knowledge-based growth and smart businesses continue and intensify. To achieve those goals, two focus areas and related challenges deserve special attention and careful consideration.

The following issues were raised by our members and outlined by the AmCham Estonia Talent & Labor Committee:

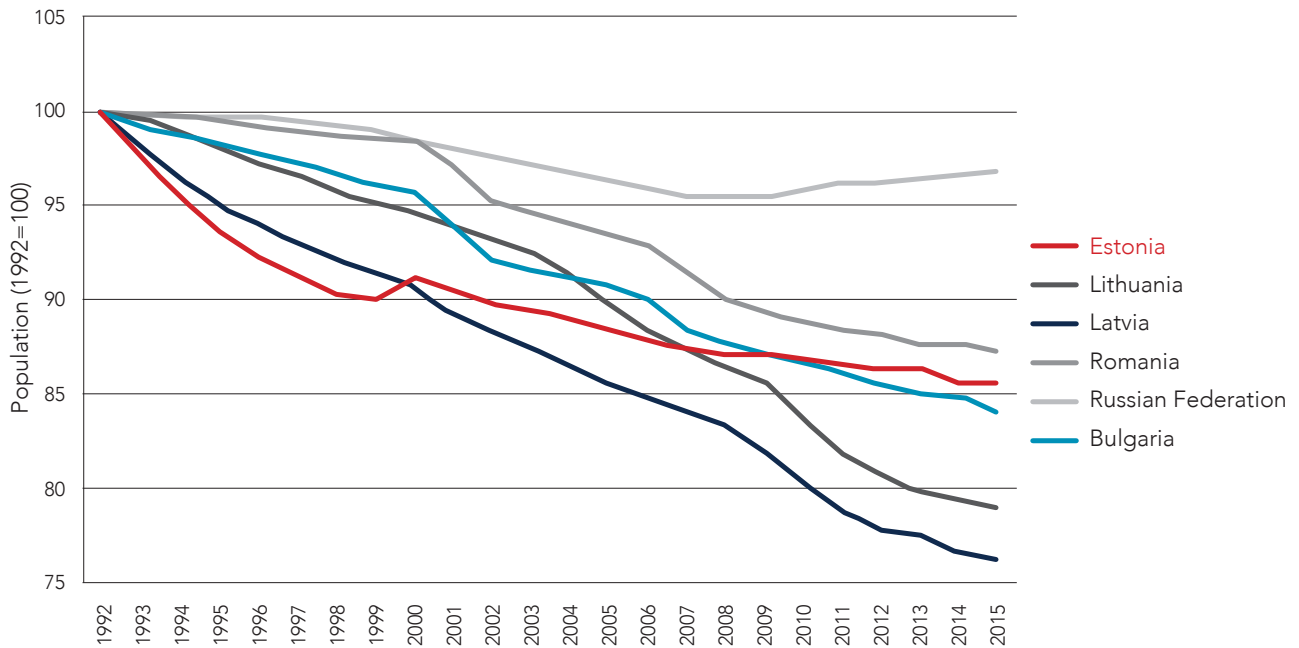
- **Immigration Policy and Procedures**
 - The current immigration quota has become outdated. It does not serve the purpose of protecting the Estonian labor market, because of the many caveats and exceptions enshrined in the Aliens Act. The quota's only effect is increased bureaucracy and additional workload for the Police and Border Guard. Once the quota is filled, employers must first register foreign workers for short term employment and apply for a residence permit after a new year begins.
- This way the quota creates an artificial barrier to a much-needed high skilled labor force.
- Estonia should strive towards a system where the residence permit applicant needs to physically visit an Estonian Embassy or PPA service center only once (i.e. when she receives the residence permit). All other materials could be submitted electronically or by regular mail.
- **Flexible and modern labor environment, promoting growth and investment**
 - Estonian labor legislation is still fundamentally designed for an industry-centric environment, while the economy is increasingly focused on services. Adapting to this reality must come with increased flexibility of the labor market and the way labor relations are regulated.
 - There is an urgent need to further improve the availability of competitive, English-language international education in Estonia at affordable price range and quality level both in terms of curriculum as well as infrastructure.

List of Action Items and Corresponding Recommendations:

- Annual quota for immigration should be abolished.
- The Aliens Act should be amended to allow a residence permit applicant to physically visit an Estonian Embassy or Police and Border Guard service center only once.
- Special consideration should be given to the student-based state support or "head-money" for students studying in authorized international IB programs, given the higher costs related to offering the curriculum.
- Estonia should prioritize using funds made available in the EU financial framework 2014–2020 to invest in competitive international education facilities and customized infrastructure.
- Employment Contract Act should be amended to include more forms of modern employment, such as project based work and 0-hours contracts. Legislation should place more emphasis on various agreements between the employer and employee to enable more flexibility.

“ Estonia must firmly continue on the track of enabling smart jobs and attracting talent. Modern labor legislation and competitive immigration procedures effectively support those goals ”

Total Population 1992–2015 (1992=100)



Sources: World Bank, National Statistical Agencies

TRAVEL & TOURISM

Enhancing and Selling Estonia as a Top European Destination

The American Chamber of Commerce Estonia (AmCham Estonia) believes that Estonia must act decisively on several key tourism and travel issues in the short-term to assist the state and industry in making Estonia one of the top European destinations, in terms of total travel expenditures that will enhance the state's economic vitality through job creation, increased tax revenues, and new investments in this sector.

We have defined both short-term and long-term goals, which should be undertaken in order for Estonia to improve its attractiveness as a top tier tourism destination.

Problem Definitions with Corresponding Recommendations:

SHORT-TERM CONCERNS & RECOMMENDATIONS

- **Lack of understanding of the economic benefit of tourism to Estonia**

The full economic benefit of the impact of tourism on different sectors of the economy has not been fully studied and presented. Sanction such a study to better show the benefit of tourism to all stakeholders both in the government and private sector.

Recommendations:

- A committee (in the Ministry of Economic Affairs or in Riigikogu) could be tasked with conduction of such a study.
- If funds are needed for such a study, our largest accommodation, transportation and hospitality companies would most likely be able to help finance this in return for some visibility.
- Study not only the direct impact on the economy from accommodation and restaurants but also track the habits of tourists, which other sectors are they spending their money in? What is the average spent? Which sectors are benefiting? What is the impact on the infrastructure? How many jobs are created in the different sectors because of it? What is the total

economic benefit to Estonia? What opportunities are ways to increase this benefit? What are the risks of losing these benefits.

- The White Paper should be an open document to all interested parties. With the help of the White Paper, the private sector can maximize the benefit of tourism in Estonia and policymakers to improve the legislation and rules to set possibility for Estonia to be one of the top destinations in Europe.
- **Little promotion of Estonia as “more than Tallinn”**
Focus on targeting special groups such as, health care or medical tourism, sporting events, unique hobbies, saunas and spas, manor houses, cultural visits, business travelers, and more.
- **Taxation issues and lack of Immigration support to visitors from outside of the EU and outside of the Schengen Area.**

One of the bigger challenges for the tourism & hospitality sector is securing the necessary human resources to respond to the needs of the everyday operations. The lack of staff on the local labor market presents businesses with a challenge of brining staff from abroad on feasible terms. The high social taxes, as well as a very cumbersome migration procedure, make it extremely difficult to bring in staff from other countries.

Recommendations:

- Consider capping social tax or separating it into parts with some (like mention tax and medical insurance) being optional.
- VAT should not increase, will hurt most aspects of the tourism and travel industry.
- Simplify some of the migration procedures for short-

term workers and work & travel programs.

- Enhance the usage of the local staff by creating language requirements which are sensitive to specific job descriptions.
 - Another way to look at this problem is to very seriously overlook the unemployment benefit program currently offered by the government. There are very good practical examples from other countries where the unemployment benefit system is much more focused on people finding a job a lot quicker and not so much tax revenue is spent on providing benefit to those unwilling to work.
- **Promote and sell Estonia to the U.S. market**
Recommendations:
 - Organize more trade missions to the U.S., that will also focus on travel and tourism companies.
 - EAS should develop a specific marketing plan for North America and showcase Estonia as the location which is safe to visit.

LONG-TERM CONCERNS & RECOMMENDATIONS

- **Lack of promotion in Asia and Far East to attract a new market of tourists**
Recommendation:
 - Structured and joint effort with Finnair, local municipalities (Tallinn and Helsinki) and Tallink for Asian tourists to come to Tallinn, offering special packages/ deals, create a new passenger flow into Europe.
- **A Critical Need of a Convention Center in Estonia**
Convention centers prove to be extremely useful and effective when promoting business travel to a certain

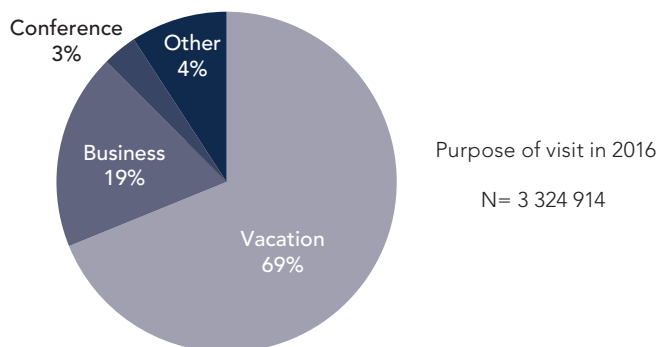
country. To attract more and larger conferences to Estonia a multifunctional Convention Center is needed in Tallinn.

AmCham Estonia Travel & Tourism Committee finds that it is vital that the Estonian government helps and support the Linnahall Multifunctional Conference & Concert Center project to become a reality by 2022.

Recommendations:

- Re-active the project full speed and make it one of the priorities for both the Estonian government and Tallinn city government.
 - Provide necessary public support and funding to Tallinn City/Linnahall.
 - Continue supporting active professional promotion of Estonia as a top international tourism, meetings and conference destination.
- **Limited Infrastructure**
There is a strong need for an international travel connection and joint venture between Estonia, the Baltics, and Central/ Western Europe. Access to the country is one of the critical points in promoting Estonia as a travel destination, so a well-coordinated infrastructure is key to success.
Recommendations:
 - Provide the necessary support to the Rail Baltic project that will unite Estonia with the other Baltic States, Poland and Germany not only for cargo business but a great passenger connectivity.
 - Provide the necessary/extra support to the National Airline Carrier (Nordica) that secures direct air routes to/from Tallinn in strategic locations.

Travelers staying at the Estonian hotels



HEALTHCARE

The Future of Health in Estonia – Multi-Sector Collaboration to Ensure a Proper Business Climate, a Healthy Workforce, and a Way to Attract Current & Future Investment

Introduction

The Estonian Healthcare System is a key factor in establishing a strong and favorable business climate, a sustainable labor market, and in the promotion of Estonia's attractiveness as an investment destination.

Recently, the Government has agreed on a state budget strategy with healthcare as marked as one of the priorities. Now that the State will start to pay health insurance tax for the retired, additional resources are being brought to the healthcare financing. AmCham Estonia welcomes this development as part of the ongoing strategy to enhance the current Healthcare system.

In this regard, AmCham member-companies have outlined a few concerns and corresponding recommendations to help Estonia maintain a competitive position in the region and attract more foreign direct investment into the country. As part of the healthcare system, we stand ready to participate and contribute to an open discussion with the aim of finding constructive and sustainable solutions that will benefit the business climate and Estonian society as a whole.

Main Issues Identified by The Committee:

1. **Insufficient financing of the Estonian healthcare system reduces the GDP and life quality**
 - Estonia needs a healthy workforce to maintain its

competitiveness as a market. Several authors point to the positive link between health and wealth. McKee and Suhrcke for example find that, "...the evidence...provides compelling confirmation that judicious investment in better health in the high income countries of Europe can be expected to increase productivity and increase labour supply." [McKee M, Suhrcke M (2010), 'Investing in Health: A Contribution to the Achievement of the Lisbon Agenda', European Review, 18:1, 17]. On the other end, health problems reduce the number and quality of employed people. 6–7% of Estonian workforce is inactive due to illness, special needs or injuries. It has been estimated that health problems reduce Estonian GDP by 6–15%.

- The increase in life expectancy and the proportion of elderly and overweight in the population will increase the number of chronic diseases. As a result, the disease burden is going to change as numerous conditions are related to unhealthy lifestyles. For example, cancer could become disease burden number one¹ and the share of cancer deaths of all deaths is highest in the economically active age groups.² Chronic disease cases have increased by 30% in the past 20 years.³ And although most cases occur in the 65+ population, the treatment is expensive for society. According to National Institute for Health Development 58% of male and 52% of female population is overweight in Estonia⁴, a WHO fact sheet attributes 44% of the global diabetes burden, 23% of the coronary heart disease burden and between 7% and 41% of certain cancer burdens to overweight and obesity⁵. The OECD estimates that obesity is responsible for 1–3% of total health expenditure in most countries. Data from the UK National Health Service (NHS) show that a BMI of 30–35 reduces life expectancy by an average of three years, while a BMI in excess of 40 cuts longevity by 8–10 years.⁶

¹ Jönsson B et al. (2016), The cost and burden of cancer in the European Union 1995-2014; Eur J Cancer, p. 164

² Jönsson B et al. (2016), The cost and burden of cancer in the European Union 1995-2014; Eur J Cancer, p. 164

³ Jönsson B et al. (2016), Access to Cancer Medicines in Europe; p. 16

⁴ <http://pxweb.tai.ee/esf/pxweb2008/Database/Uuringud/01ETeU/07KehalineAktiivsus/07KehalineAktiivsus.asp>

- Estonian state health expenditure as part of the GDP is below the OECD average (6.0% vs OECD average 8.9%). The current aim of the health care system has been to increase efficiency, however, expectations need to be realistic with what can be achieved with the current budget. Further attempts at efficiency are likely to have negative effects through unmet therapeutic needs of patients. This in turn reduces the possible number of employed further reducing the finances available to the Estonian Health Insurance Fund in the future.
- The Estonian health care system is financed primarily through public sector spending. Since 1992 the primary source of financing has been health insurance part of the social tax and there have been no major reforms in the financing of health care system since then. The need for a change in the financing has been noted by various working groups, incl. WHO, National Audit Office of Estonia, Ministry of Social Affairs, Union of Doctors, and Praxis.

2. Insufficient E-health solutions necessary to advance Estonian Healthcare system

- Estonia has been on the forefront of e-governance solutions earning the country the sterling reputation of being the leader of new technologies. E-health solutions have been an important building block of the Estonian health care system and the advancement of IT is ever more needed because increase in life expectancy will change the nature of diseases adding to its complexity and cost. IT solutions can promote better accessibility and lower cost of health care services.
- Based on National Audit Office of Estonia, the aims of e-health solutions have not been reached. The current e-health system is a databank that does not yet offer sufficient services that could increase the efficiency of health care service providers and promote a better use of health care funds. Currently, the collected data cannot be used for treatment, health care statistics, surveillance, financing decisions or design of healthcare policy. This is mainly due to missing data and low quality of the existing data.

3. Accessibility of medicine and medical devices in Estonia is low

- Health inequalities are of great concern from a European perspective. Inequalities also exist with regard to access to medicine. According to statistics, 74% of centrally authorized products (1540) were not sold in Estonia in the past three years. Between January 2013 and May 2015, out of the 140 medicines that obtained EU marketing authorization, only 40 were the subject of applications for reimbursement in Estonia. Furthermore, for a large number of medicines that have obtained EU marketing authorization, no attempt to enter the market was made (66 out of 140). Thus, the drugs with market authorization are not accessible in Estonia.
- The WHO report outlines that the reimbursement process is mainly based on budget impact, rather than treatment outcomes. This can potentially deter innovative medicines from entering the market, since without reimbursement, the medicine or services are not accessible. Lack of innovative medicines in turn reduces the number of accessible generic medicines, since generics often enter the markets where the road has been first paved by the innovative medicines.
- Onboarding innovative medical solutions and devices is challenging when only 10–15% of medical devices tenders are based on the most economically advantageous offer.⁷ A sole focus on the lowest price leads to compromises in product quality, hence patient safety and quality of life. This increases the overall costs to society throughout patient lifespan. Furthermore, demanding legal requirements make it costly for companies to enter market and introduce new technologies as return on investment is limited by market size.
- As a result of the lack of accessible medicines, many serious illnesses are increasingly financed privately through various campaigns (such as “Kingitud Elu” or “Pardiralli”). The same trend can be observed also for medical devices, where privately financed initiatives such as “Meie Panus”, “Naerata ometi”, “Koos on kergem” or “Lastefond” are called to life to provide continuation of medical care, improve

⁵ <http://www.who.int/mediacentre/factsheets/fs311/en/>

⁶ <https://www.eiuperspectives.economist.com/sites/default/files/ConfrontingobesityinEurope.pdf>

⁷ https://riigihanked.riik.ee/lr1/c/document_library/get_file?p_l_id=216043&folderId=518320&name=DLFE-36902.pdf

quality of life by providing certain medical supplies or collecting funds for specific medical treatment or medical equipment.

4. Insufficient dialogue between the healthcare sector and the policy-makers

- It is encouraging that the sustainability of the healthcare system has been included as one of the priorities in the action plan of the current government. This ambitious goal can only be achieved through a multi-stakeholder policy dialogue.

How We Can Collaborate:

We have to recognize that neither of the health challenges can be tackled by a single stakeholder nor be resolved by simple solutions. Dialogue is critical to understanding the priorities and needs of each partner in the equation – patients, healthcare professionals, government and payers, in order to support and drive the rapidly advancing science and deliver access to innovative medicines across Europe. As part of the healthcare system, AmCham Estonia stands ready to participate and contribute to an open discussion with the aim of finding constructive and sustainable solutions that will benefit the business climate and Estonian society as a whole.

1. To start the dialogue the Healthcare Committee of AmCham Estonia suggests a 3-step approach:

- A A multi-stakeholder dialogue, including the private sector, should be kicked off to discuss healthcare financing. Current spending is low and exploring best practices of countries with a similar environment has not been undertaken. Possible new sources of financing can be directed toward Healthcare including: excise income towards Healthcare, adding VAT on health-related services, discharging employers from fringe benefit tax in case of investments into the health of their employees, and the promotion of private insurance. AmCham members are happy

to facilitate this discussion and to identify examples from other regions.

- B Despite the leading role of Estonia in e-government the value of e-health has not fully been exploited. AmCham Estonia suggests that additional resources are invested into the e-health system and that all stakeholders are involved in the development of the e-health system.
- C Access to innovative medicines and devices remains a big issue for patients in Estonia. AmCham Estonia recommends an exchange of expertise on how the recommendations could be implemented which have been made by the WHO to increase the accessibility of medicines in Estonia.

- 2. **Future healthcare is a multi-stakeholder challenge**, which requires broad engagement, beyond the Ministry of Social Affairs. Managing future health challenges requires political will and a public health strategy, close collaboration between healthcare professionals and evidence-based treatment pathways, based on data. To progress on the above mentioned points AmCham Estonia recommends the resumption of the national multi-stakeholder policy dialogue and to set up working groups to take specific issues forward.

Such a dialogue should include:

- Ministry of Social Affairs
- Health Insurance Fund
- State Agency of Medicines
- Association of Pharmaceutical Manufacturers in Estonia
- Biotechnology and the HealthTech cluster
- National Institute for Health Development
- Estonian Health Board
- Association of MedTech Companies
- Other relevant stakeholders such as the private sector to define areas of work to ensure sustainability and the effect of the Estonian Healthcare system on the labor market in the long run.

AMCHAM IN NUMBERS

20

years of continued
success on the market!

130+

members from a wide range of sectors
with operations and employees in
Estonia and across Europe

25

unites businessmen and investors from
25 countries in the name of a more
competitive business climate

45+

events and
round-table
meetings in 2017

7

active committees and
advocacy groups

100%

member funded

2000+

event participants in 2017

8

active
programs

COMMITTEES

TALENT & EDUCATION COMMITTEE

1. **Martin Lään**, Expat Relocation – Committee Chair
2. Ramil Pärdi, TRINITY Law Firm
3. Heigo Kaldra, Manpower
4. Krista Tuulik, TTÜ
5. Kathleen Naglee, International School of Estonia
6. Daria Sivovol, AmCham Estonia
7. Siim Kinnas, University of Tartu
8. Eha Teder, Tallinn University of Technology



TAXATION COMMITTEE

1. **Elvira Tulvik**, KPMG Advokaadi-büroo – Committee Chair
2. Ranno Tingas, Ernst & Young Estonia
3. Nele Normak, Coca Cola Balti Jookide AS
4. Elo Tamm, Cobalt
5. Marina Tolmatsova, LAWIN
6. Maris Leemets, Philip Morris International
7. Erki Uustalu, Eesti Energia AS (ENEFIT)
8. Siiri Lahe, Estonian Cell AS
9. Daria Sivovol, AmCham



IPR COMMITTEE

1. **Maris Leemets**, Philip Morris Eesti OÜ – Committee Chair
2. Hristo Manov, Microsoft Estonia
3. Kai Tammist, Philip Morris Baltics
4. Taimi Alas, U.S. Embassy Tallinn
5. Kaido Uduste, Business Software Alliance (BSA)
6. Erik Mandre, Estonian Organization for Copyright-Protection
7. Marius Kuningas, Estonian Intellectual Property and Technology Transfer Centre
8. Pirjo Jha, PwC Legal
9. Gustav Poola, Nortal
10. Martin-Kaspar Sild, Roche
11. Daria Sivovol, AmCham Estonia



TRAVEL & TOURISM COMMITTEE

1. **Mihail Burõhh**, Meriton Family Estate – Committee Chair
2. Feliks Mägi, Nordic Hotel Forum
3. Alo Jürgenstein, Avis Car Rental
4. Reese Sepp, U.S. Embassy Tallinn
5. Kadri Karu, ECB
6. Svea Puusepp, Tallink
7. Katrin Künemäe, Tallink
8. Sirle Arro, Port of Tallinn
9. Daria Sivovol, AmCham Estonia



HEALTHCARE COMMITTEE

1. **Elo Tamm**, COBALT Law Office – Committee Chair
2. Martin Minin, Semetron (Medical Devices)
3. Siiri Võlu-Tiganik, HansaMedical OÜ (Medical Devices)
4. Kairit Sildre, Johnson & Johnson (Medical Devices)
5. Tanel Siimon, Johnson & Johnson
6. Anneli Simm, Teligent
7. Maarika Merirand, Tallinn Science Park Tehnopol
8. Konstantin Rebrov, MSD
9. Chris Ellermaa, Roche
10. Indrek Saar, Glaxo Smith Kline
11. Marika Toom, Eli Lilly
12. Anneli Einroos, AbbVie
13. Kadri Mägi, Roche
14. Taimi Alas, U.S. Embassy Tallinn
15. 15. Taavi Einaste, Nortal
16. 16. Anneli Taal, Pfizer
17. Daria Sivovol, AmCham Estonia



PREMIUM PARTNERS



Google

Raytheon



AVIS®

CHARTER GOLD MEMBERS





CORPORATE MEMBERS

3M

abbvie



Amway

axinom!







AVIS[®]

Martid

INC BLUE



hök



I E A D E I L
Pilv

**LOOM
RUUM**





milton
/NORDICS



Nordisk Consulting
Group LLC



ORACLE®



PADISE
Mõis • Manor



PORT OF TALLINN
The Port of Good News



Raytheon



SCHLÖSSLE HOTEL | 
TALLINN · ESTONIA

SEMETRON



Take Five OÜ



 TALLINN UNIVERSITY OF
TECHNOLOGY



TH TALLINN
HOTELS™



Teligent 

TESLA RENT



TRINITY 
TALLINN RIGA VILNIUS

UBER

 UNIVERSITY OF TARTU



Zell Aronovich
Law Office

INDIVIDUAL MEMBERS

Gražina Krevenaite

Indrek Grabbi

Kriss Eglite

Tõnis Lõvi



AmCham Estonia

American Chamber of Commerce Estonia

American Chamber of Commerce / Tallinn Business Center Harju 6 10130 Tallinn Estonia

P: +372 6-310-522 M: +372-5341-5576 / amcham@amcham.ee / www.amcham.ee