

FICE's opinion on Estonian taxes made front page news

The Foreign Investors' Council's in Estonia (FICE) opinion on Estonian taxes has now been expressed in an article written by FICE's Chairman Martin Breuer.

The article was published in Äripäev Wednesday 13.05.2009 and an English text version is available in the following pages of this NewsLetter.

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ARVAMUS



Eesti mudel - õhuke bürokraatia, madalad maksud - tegi Eestist nii The Economisti kui ka IMFi lemmiku ja lääne imetusobjekti. Ärme lõhu seda mudelit.



Martin Breuer, Eesti Välisinvestorite Nõukogu esimees ▶11

INVESTOR

Maksupralle lõpeb peavaluga

Tulumaksu tõstmise üleskutse on kõlanud juba õige sageli, rahandusminister näeb selles ka lahendust riigieelarve aukudele. Eesti Välisinvestorite Nõukogus tekitavad selle taolised ideed tõsist ärevust. Nende teostumine hävitaks Eestis 17 aastaga loodud unikaalse õhukese bürokraatia ja madalate maksude tava.

Lääne-Euroopas jälgisid paljud meie arengut austuse ja imetlusega. Eestist sai õhukese riigi mudeli julge eeskujuriikidele ja poliitika-loomajatele kogu maailmas.

Tõsi, globaalsest vaatenurgast on ajad praegu meie vastu. Ka Eestis läksid olulised asjad viltu või rajanesid need valedele alustel. Me kihutasime liiga kiire majanduskasvu kiiluvees, tajumata, et see pole piiratud tööjõu ja tootlikkuse ebapiisava töusu tingimustes jätkusuutlik. Paljud investeeringud olid suunatud tarbimisele, mitte tootmisele. Ka ei suutnud muutustega sammu pidada siinne haridussüsteem.

See kõik on õige, kuid ei tohiks meid pimestada sedavõrd, et unustame Eesti mu-

Äp VAHENDAB



▶ Martin Breuer, Eesti Välisinvestorite Nõukogu esimees

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deli vundamendi tunnustamise ja kaitsmise sootuks. Välisinvesteeringute sissevool Eestisse rajanes algusest peale õhukese riigi mudelil. Mudelil, mis tegi Eestist nii The Economisti kui ka IMFi lemmiku.

See mudel ei pruugi olla piisav kõigi majandusprobleemide lahendamiseks, küll aga on selle eeldus. Välisinvestorite Nõukogu on veendunud, et Eesti mudel on üks väheseid efektiivseid relvi,

mida meie väikeriigi arsenalist leiab.

Maksude tõstmist propageerivad poliitikud mängivad ohtlikku mängu Eesti konkurentsipositsiooniga. Juba praegu on siinse tööjõu maksukoormus üks Euroopa üleminekumajanduste suuremaid. Kiputakse unustama, et tulumaks on vaid väike osa maksudest, mida tööandja iga töötaja palgakrooni pealt maksab. Lisaks panustab tööandja täiendavalt 33,3% maksudeks.

Investorid jälgivad maksukoormust, mis on sissetulekuga seotud. Seetõttu on Välisinvestorite Nõukogu vastu igasugusele tulu- või sotsiaalmaksu määrade tõstmisele. Sellega võib Eesti end viivuks tööpoolest ära petta. See tore pralle kestab aga vaid aasta-kaks. Siis ärkame kõik kõva peavaluga. Ettevõtlast ja tööhõivet tabab taas karm reaalsus. Enamik välisinvestoreid on selja pööranud ja Eesti mudeli omapära külgetõmbejõu kaotanud.

Toetame eurotsooniga ühinemist võimalikult kiiresti. See seab täiendava surve riigieelarve puudujää-

gi ohjeldamisele. Riik peab oma kulutusi veelgi kärpima. Ning ta suudab seda. Tõsi, kokkuhoid pole mugav, küll aga on vajalik.

Soovitame valitsusel rakendada mõjuvaid meetmeid, et panna piir levinud (ja süvenevale) maksudest kõrvalehoidmise ja ümbriku-palkade maksmisele. Nende nähtuste ohjeldamine peaks olema prioriteetsem kui mis tahes maksude tõstmine.

Peaksime püüdlema julgelt ja uhkelt ühiskonna poole, kus teiste kulul liugulaskmist peetakse ebaeetiliseks.

Ärgem mingem paanikasse, vaid säilitagem pigem võidukombinatsiooni, mis tõi investeeringud Eestisse ja on neid siin hoidnud. Meid peaks juhtima evolutsioon, mitte revolutsioon; järkjärguline muutus, mitte kannapööre. Maksupoliitikas teenib meid kõiki paremini järjepidevus.

Nii ettevõtjail kui ka elanikel seisab ees paar karmi aastat. Seni soovitame mitte heita üle parda väärtusi, mis on teinud Eestist välismaalaste jaoks nii unikaalse ja erilise koha.

Raising taxes is not the solution

Recently various sides have made a call to raise income taxes. Also the Minister of Finance has proposed such direction to solve the budget problem of the government.

The Foreign Investors Council in Estonia (FICE) finds these ideas very alarming. Going that direction would destroy the unique niche of light government, light bureaucracy and light taxes that Estonia has carved out for itself over the last 17 years.

Many in Western European countries watched our development with respect and admiration. Estonia became the brave example of a light model of government for countries and policy makers worldwide...

Certainly, times are against us now seen from a global perspective and also in Estonia crucial things went wrong or were misguided: We rode a too fast economic growth, which was unsustainable with a too limited labor force and insufficient productivity gain; Many investments were consumptive and not productive; Education could not catch up fast enough.

This all is true, but it should not blind us from appreciating and protecting the important foundation of the 'Estonian Model'.

From the very beginning the successful inflow of foreign investments to Estonia was rooted in the Estonian model of light government. A model that made Estonia the darling of the Economist and of the IMF.

This model is still very much valid today. It might by itself not be a sufficient answer to solve all economic problems but it is a pre-condition.

FICE is convinced that the 'Estonian model' is one of the few effective weapons that we as small country can deploy. We urge policy makers to keep well focused on the 'Estonian Model'.

Politicians that call for a raise in tax, play a dangerous game against the competitive position of the Estonian economy. Already now the total tax burden on labor in Estonia is among the highest of developing economies in Europe. Many people forget that the income tax on salaries is only a minor part of total taxation on each EEK that is paid out as a salary. In fact the employer today pays an additional 33,3 % of taxes on top of the gross salary. *This means that from each 1000 EEK that you and I receive gross, another 549 EEK goes to government at this moment.* Investors in new jobs look at the total tax burden on income. Therefore FICE opposes any increase in the income or social tax rates.

FICE is convinced that if Estonia would decide to raise these taxes, Estonia might indeed be able to fool itself in the short term, but that happy party will only last for a year or two before we then all will wake up with a major headache. The hard and raw reality will hit business and employment once more. Most foreign investors will then have turned away and the uniqueness of the Estonian model will have lost all attraction.

FICE fully supports the goal to join the EURO as soon as possible, which places an additional pressure to get the state budget deficit under control. In our opinion the state has to (and also can) further reduce its expenditure. *The current situation or austerity is not comfortable for Estonian citizens, but it is necessary in our opinion.*

At the same time FICE recommends government to start to take effective measures against the wide spread -and increasing- practice of tax evasion and black salary payments. This should have a higher priority over any proposal to increase taxes. If all companies and citizens would pay their taxes fairly, the deficit problem would become

a smaller one. Our argument here is also about ethics. We should pride ourselves to become a society where taking a free ride at the cost of others will be considered unethical.

Let's not play panic football, but maintain the winning combination that has attracted, and kept, investment in Estonia. Evolution, not revolution, and incremental change, not policy turn-around should guide us. Consistency in tax policy will serve us best.

Entrepreneurs and citizens will both face a couple of tough years, but meanwhile FICE suggests not to throw away the values that have made Estonia so unique and special in the eyes of foreigners.



Martin Breuer, Chairman FICE

FICE - Foreign Investors' Council in Estonia is a lobby group acting on behalf of the American, Austrian, British, Danish, Finnish, German-Baltic, Holland, Norwegian and Swedish Chambers of Commerce, Business Clubs and Marketing Offices in Estonia.

Together, the nine countries represented in FICE account for more than 80 % of the total foreign direct investments in Estonia.

Forwarded by:

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