





Best jurisdiction for starting a Web3 start-up?
A comparison between Estonia and Switzerland


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1. Setting up a Company

Category	Estonian regulation	Swiss regulation
Residency requirement	E-residency.	Residence permit (B or C).
 <p>Registering the company</p>	<p>Can be done online through the e-business registry using e-residency.</p> <p>A company can be registered through the notary.</p> <p>A state fee of 265 EUR applies.</p>	<p>Can be done online through the official EasyGov platform if all founders have qualified digital signatures from official Swiss digital signature service providers.</p> <p>A company can be registered through the notary.</p> <p>A registering fee of up to 600 CHF (approx. 609 EUR) applies.</p>
Business banking account	Opening is optional. Typically banks in EU/EEA countries are used instead of local service providers.	Opening is mandatory. Requires an in-person visit to Switzerland as well as consultations sessions with the bank.
Contact person and local office	Required. Can be done online through approved service providers for a yearly fee of c.a. 300 EUR.	It is mandatory to have a local office as well as a Swiss director if the company is opened from abroad.


2. Crypto licences

Category	Estonian regulation	Swiss regulation
<p>Is a license always required?</p>	<p>A license is only required if the company's services are classified as virtual currency services.</p>	<p>A crypto license is only required if the company's services or activities fall within a regulated category.</p>
 <p>Types of licenses issued for crypto projects</p>	<p>Virtual asset service provider license is required if the company provides any of the following services:</p> <ul style="list-style-type: none"> • virtual currency wallet service; • virtual currency exchange service; • virtual currency transfer service; • public offering or targeted sale of virtual currency. <p>If a project has the characteristics of any other financial service (e.g., an investment fund, crowdfunding, credit intermediation, etc) a corresponding license is required.</p>	<p>There are no licenses specific to cryptocurrency. Existing licenses for different financial activities are applied, depending on the characteristics of every crypto project:</p> <ul style="list-style-type: none"> • Fintech license; • financial intermediary license; • banking license; • investment fund license; • dealer in securities license.


 <p>Cryptocurrencies that are subject to licensing</p>	<p>Only cryptocurrency that is classified as virtual currency by Estonian law is subject to VASP licensing.</p> <p>Virtual currency is:</p> <ul style="list-style-type: none"> • digitally transferable; • preservable or tradable; • accepted as a payment instrument by natural or legal persons; • not the legal tender of any country or funds. <p>Other financial licensing may still apply even if a crypto project is not deemed to be virtual currency.</p>	<p>Licensing requirements are applied to DLT – based securities.</p> <p>A DLT – based security is defined as a right, which:</p> <ul style="list-style-type: none"> • is registered in a securities ledger; • may be exercised and transferred to others only via this securities ledger.
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3. Crypto licence requirements

Category	Estonian regulation	Swiss regulation
Disclosing information prior to application	Disclosing the details of the applicant’s business plans, AML and supervisory manuals, etc.	Disclosing the details of the applicant’s business plans, AML and supervisory manuals, etc.
Management personnel	Must be approved by the regulator.	Must be approved by the regulator.
Appointing a compliance officer	Must be located in Estonia and approved by the regulator.	Must be located in Switzerland and approved by the Swiss regulator. The same applies for a CFO.

Appointing auditors	Internal and external auditor must be appointed.	External auditors must be appointed.
Bank account	Payment bank account has been opened with a service provider licensed and operating in the EEA.	A business bank account has been opened in Switzerland.
Share capital	The share capital of the company is at least 100 000 EUR (250 000 EUR if the company offers a virtual currency transfer service).	Minimum capital requirement of 100 000 CHF (approx. 104 000 EUR).
Own funds (liquid funds available at all times)	Must be equal to the share capital sizes or derived from the fixed overhead costs of the previous financial year, depending on which one is larger.	
Application fee	10 000 EUR.	Starting from 1 750 CHF (approx. 1825 EUR).
Annual supervisory fee	-	3500 EUR.
 Duration of application process	Up to 120 days.	12-24 months.

4. Mandatory prospectus

Category	Estonian regulation	Swiss regulation
Offering type	Tokens classified as securities.	Tokens classified as securities.
Total consideration of offering	More than 1 000 000 EUR (calculated in a one-year period).	More than 8 000 000 CHF – 8 200 000 EUR (calculated in a one-year period).
Regulation applying to the prospectus	The EU Prospectus Regulation.	The EU Prospectus Regulation.
Registering the prospectus	Must be approved by the regulator (FIU).	Must be approved by a prospectus review body. These bodies are licensed by the regulator (FINMA).
 Duration of review	10 working days or 20 working days for first time applicants.	10 calendar days or 20 calendar days for first time applicants.
Fee	600 EUR.	2 500 – 5000 CHF (2 541 – 5083 EUR). 6 500 – 8 500 CHF (6 600 – 8600 EUR) in case of a foreign prospectus.



Public offerings
that do not need a
prospectus

A prospectus is not required for public offerings if the total consideration of securities over a 12-month period:

- does not exceed 1 000 000 EUR, or;
- is between 1 000 000 to 5 000 000 EUR, in which case an information document may be drawn up describing the offering, the issuer and the risks involved (allows offering only in Estonia);


Regardless of the value of the offering, a prospectus can be avoided if any of the following is true:

- the offer is limited to professional investors (banks, investment funds, governments, etc);
- the offer is addressed to fewer than 150 natural or legal persons per Member State, other than qualified investors;
- the minimum value per unit amounts to at least EUR 100 000;
- the minimum investment amounts to at least EUR 100 000, for each separate offer.


A prospectus is not required for public offerings if they fit the following criteria:

- the offering is limited to professional investors or less than 500 investors;
- the offering is addressed to investors who acquire securities for a consideration of at least CHF 100 000 (equal to around 103 000 EUR at the time of writing);

5. Non-fungible tokens (NFTs)

Category	Estonian regulation	Swiss regulation
NFT-based regulation	No specific regulation.	No specific regulation.
Legal classification	<p>Generally not classified as virtual currency.</p> <p>May be classified as securities depending on what they provide the owner with (i.e., voting rights or dividend pay-outs).</p>	<p>The existing token classification is applied depending on the structure of the NFT (payment, utility or asset token).</p>
 <p>Licensing requirements for NFT-based projects</p>	<p>Usually, NFT projects selling and creating NFT tokens do not require any separate license.</p> <p>The platform will require a VASP license, if the NFT is classified as virtual currency based on its structuring (used as payment purposes for example).</p>	<p>Depending on the structure of the NFT, a corresponding license may be needed for a platform offering asset or payment tokens.</p>
Regulatory requirements for NFT offerings	<p>If the NFT is classified as a security, the public offering will be subject to security regulations.</p>	<p>Offering NFTs structured as payment or asset tokens will be subject to additional AML and financial market regulations.</p>

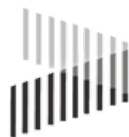
6. Decentralized autonomous organizations (DAO)

Category	Estonian regulation	Swiss regulation
DAO regulation	No specific regulation.	No specific regulation.
Setting up a DAO	A legal entity must be created that connects the DAO to the “real world”.	The DAO is integrated into the existing legal framework by establishing a legal entity (“legal wrapper”).
Legal entity used	Non-profit association (“mittetulundusühing”).	Swiss foundation.
 <p>Steps of setting up the legal entity</p>	<ol style="list-style-type: none"> 1. Drawing up a memorandum of association and the articles of association – both documents must contain general information about the association (information about the founders, the name of the association, the purpose of the association and the DAO etc.). 2. Submitting the aforementioned documents to the commercial registry – this can be done digitally by having the founders provide digital signatures (foreigners must be e-residents to do this, otherwise a notary must be used). <p>Paying a state fee of 30 EUR.</p>	<ol style="list-style-type: none"> 1. Defining the purpose of the foundation prior to establishing it (i.e., development of a project) – in the future, all the activities of the foundation (and the DAO) must be centred around this purpose, since the regulatory body will supervise this. 2. Entering the foundation into the Swiss commercial register through a notary. 3. Appointing an external auditor (the scope of the audit depends on the foundation’s assets). 4. Transferring an initial capital amount of 50 000 CHF (approx. 51 000 EUR) prior to registration. 5. Appointing a local director to the governing board of the foundation.

<p>Additional information</p>	<p>The DAO does not become a part of the non-profit association or part of its assets. Rather the non-profit [HPI] allows to create a link for signing contracts, issuing invoices and fulfilling certain assignments that are entrusted to it by the DAO. [HPI]Kirjeldaks selle konservatiivsemalt</p> <p>The non-profit association must not retain significant control over the DAO, as any form of control might result in provision of a virtual currency service by the non-profit association.</p>	
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7. Taxation of cryptocurrency

Category	Estonian regulation	Swiss regulation
<p>Applying corporate income tax</p>	<p>Income from cryptocurrency is taxed in a similar way to regular currency. The profit of a legal entity is only taxed upon the distribution of profits.</p>	<p>Corporate income tax is applied to any cryptocurrency earned during the tax year. Tax is levied on three levels: federal, cantonal, and communal level.</p>
<p>Corporate income tax rate</p>	<p>A flat rate of 20% applies to all profits/income earned from crypto.</p>	<p>Rates depend on the exact location of the company, though the tax rate ranges from 11.9 – 21.6%.</p>
<p>Value added tax (VAT)</p>	<p>VAT may apply when providing virtual currency services (intermediation fees being the tax base).</p>	<p>Businesses must also account for VAT, which is applied at a standard rate of 7.7% for any services provided by a crypto company.</p>



Conclusion

Though this question should be analysed in a case-by-case basis, overall Estonia's crypto regulations are not unfavourable compared to Switzerland's. With one of the best tax systems in the world, Estonia offers a clear and welcoming regulation, which means Estonia could be a solid steppingstone for any up-and-coming crypto businesses. Establishing a company has been made easy for foreigners thanks to the e-residency programme, meaning Estonia may be a worthy adversary to Switzerland's long reign as the European crypto paradise.

**We can help you set up your Web3 company
in Estonia hassle-free. Contact us today!**



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