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**Estonia's concerns regarding
Directive 2022/2523 and the
implementation of the global
minimum tax (Pillar 2)**

Dear colleagues,

Discussions on the global minimum tax (Pillar Two) are evolving rapidly at the OECD Inclusive Framework. In the EU, these evolving standards interact with Directive 2022/2523 on minimum corporate taxation, which was designed to ensure coordinated implementation. As the rules change continuously, Member States, especially smaller administrations as well as taxpayers, face rising complexity, uncertain timelines, and significant administrative burden, often with limited corresponding revenue.

We would like to draw your attention to several important concerns related to the implementation of the global minimum tax and Directive 2022/2523. The following outlines Estonia's position and the challenges faced by smaller Member States in this context.

We need to prioritise EU competitiveness under moving global standards

We are concerned about the developments surrounding Pillar 2 and their impact on the competitiveness of the EU Member States.

The EU has fixed detailed requirements in a Directive while key technical elements at the OECD level continue to shift. This asymmetry puts EU economies at a structural disadvantage. For other countries, minimum tax remains voluntary and even those countries currently implementing the rules can decide to repeal the rules whenever they need. Only the EU has made these rules mandatory through a Directive, taking away the freedom from Member States to flexibly react to changing circumstances. As of 2021, 137 jurisdictions agreed to global minimum tax. As of 2025, 55 countries have implemented it. Of those 55, all but the EU Member States are free to make their own decisions about the global minimum tax.

The latest amendments to the minimum tax rules are changing the original agreement. We did not expect to carve out big economies from the minimum tax system when we agreed to it in

2021 at the OECD and when we agreed to the Directive in 2022. Carving out big economies from the minimum tax rules will have harmful effect on the EU competitiveness. It changes the level playing field and does not provide equal treatment for businesses. Businesses have sounded the alarm that the differences between different minimum tax rules will make an impact on strategic investment decisions. Due to the EU minimum tax, EU groups are unfavourably positioned to operate on foreign markets and hence, their growth potential will be severely limited – this all at the time when the competitiveness of the EU as an economic block is at the crucial junction.

We insist that important changes currently considered at the OECD cannot automatically become part of the EU law

When the Directive on the global minimum tax was agreed upon, the implications of Article 32 regarding safe harbours were not fully anticipated. This article was originally intended to support simplification, but the situation has evolved significantly. The rules governing the global minimum tax are rapidly changing, and both the volume and complexity of these rules – particularly the scope and application of safe harbours – have exceeded expectations.

In our view, these developments are so substantial that there is a need for changes to both the OECD Model Rules and the Directive. They go far beyond a simplification exercise that could be done through safe harbours that automatically become part of the Directive. For these substantial changes, the Directive should be amended properly, with sufficient time for impact assessment and by including national governments and parliaments into the procedure. Otherwise, we allow EU legislation to be done at the OECD technical level. Even when such changes are beneficial to taxpayers, they can still affect both taxpayers' obligations and Member States' budgets. EU tax law should not be re-written indirectly by processes where Member States lack full legislative participation and control.

Current process speed limits meaningful participation by small Member States

The pace and volume of OECD rulemaking leave smaller administrations with little practical ability to shape outcomes or adequately assess system-wide impacts. For small states, the human and IT capacity needed to build and maintain systems for complex rules is disproportionate to their size and to the expected tax revenue. Implementing legislation now, only to revise it shortly thereafter, is costly and inefficient. In line with the European Commission's key priority of better regulation and simplification, it is essential to ensure that the implementation of the global minimum tax does not impose excessive administrative obligations, particularly on businesses. Constantly changing rules, introduced without sufficient time for preparation and proper national tax legislation, would not contribute to our goal.

We fully support the Inclusive Framework's plan to conduct a stocktake by 2029. This process will allow members to identify substantial risks, unintended effects, and opportunities for simplification, and to reach consensus on the way forward. However, we are concerned about the timing. Estonia would be required to implement the global minimum tax rules before this stocktake is completed, meaning we would have to adopt rules that may need to be amended even before they enter into force. Additionally, we would need to develop an IT system and begin modifying it immediately, which is both costly and inefficient for a small jurisdiction. At the same time, we do not expect adequate tax revenue from the implementation of the global minimum tax to justify the resources and costs required for its application.

The implementation of global minimum tax should be voluntary for Estonia and other Member States with small number of UPEs

Pillar 2 rules adopted at the Inclusive Framework of the OECD are voluntary for all countries who have agreed to them. Only the EU has made these rules mandatory through a Directive. In the current directive, five countries are able to postpone the implementation of minimum tax until 2030. Even though Estonia does not have to apply the rules now, we already need to make preparations, as 2030 is just around the corner. The volume of the rules is a challenge of itself. From other countries' experience we see that the rules are complex, costly and bring little if any revenue. In addition, the rules change every year and this also comes with additional costs and burden. This is challenging for smaller Member States, especially now, when we are facing other, more pressing calls for our attention and resources. At the times when we need more revenues to cover the increasing defence expenditure, minimum tax is a very expensive solidarity project.

In the current economic and geopolitical situation, all EU Member States need to raise revenue effectively and efficiently

Revenue needs of Member States and the EU are growing. By continuing the application of complex and inefficient tax rules, we are mispending the resources of the taxpayers and tax administrations that are essential for voluntary compliance. We need to work collectively on solutions that bring in the maximum amount of tax revenue with the minimum cost.

One of the priorities of the Estonian government is simplification and the reduction of administrative burden. Better regulation and simplification are also key priorities of the European Commission. Therefore, it would be difficult to gain support for rules that increase both the number of provisions to be implemented and the associated implementation costs – particularly when such rules may result in double taxation in certain cases, while failing to generate sufficient tax revenue to justify the resources required.

Given these circumstances and the seemingly endless nature of work on Pillar 2, it would be more beneficial to the EU if Pillar 2 would be solved as a common approach also for the EU Member States or at least small EU Member States. **We propose giving serious consideration to reviewing the Directive.** There are several options the EU could navigate the current uncertain situation so that our economies will not lose in their competitiveness. We would suggest either suspending the implementation of the Directive 2022/2523 until the OECD rules are stabilized and clear; repealing the Directive; or amending Article 50 of the Directive to provide a permanent derogation for Member States with small number of UPEs.

The third option would respect the desire of certain Member States to continue with the Directive while allowing smaller Member States to avoid excessive implementation and amendment costs, taking into account their limited resources. Since other Member States can apply the UTPR in cases of undertaxed profits, a permanent derogation would not raise integrity concerns. The overall integrity of Pillar Two is preserved, since the current OECD Model Rules provide sufficient tools to ensure the agreed minimum level of taxation.

Estonia remains committed to constructive dialogue and is ready to contribute to discussions aimed at finding a balanced and sustainable solution that would benefit all the Member States.

Yours sincerely,



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