

# EXPATRIATES

## Estonia

### Tax facts for International Assignees



#### INCOME TAX: WHO IS LIABLE

Generally, an income tax return needs to be submitted even if the person resides outside of Estonia.

A resident natural person is required to submit an income tax return to the Tax and Customs Board concerning the income for a period of taxation no later than 30 of April the year following the period of taxation.

The Tax and Customs Board calculates any additional amount of tax due and issues a written tax notice to the taxpayer. A taxpayer is required to pay any additional amount due which is specified in the tax notice into the bank account of the Tax and Customs Board no later than October the 1st of the calendar year following the period of taxation.

If a resident taxpayer has income derived from abroad during a period of taxation, such income is included in the taxable income and any income taxes paid or withheld on such income is deducted from the income taxes to be paid in Estonia (credit method).

If the Estonian income tax calculated, in accordance with the Income Tax Act, on income derived in a foreign country exceeds the amount of income taxes in the foreign country, the taxpayer is required to pay the difference between the foreign income tax and Estonian income tax as an additional tax.

Amounts paid to an employee for expenses related to business travel and daily allowances during assignments abroad (within the limits stipulated based on the foreign location) are not considered compensation subject to income tax.

Whether an individual will remain resident in their home country when working abroad depends on numerous different factors.

#### BREAKING RESIDENCY - EXIT PROCEDURES

A resident natural person who has reason to believe that his or her status as an Estonian resident will change as they leave Estonia, should file an application with the tax authority on Form R for changing their residency for tax purposes in the register of taxable persons.

In order to be released from Estonian citizenship, the individual must submit, an application and attach documentation showing facts which bear relevance to taking the decision on releasing the individual from Estonian citizenship.

## INCOME TAX RATES

Personal income is taxed at a rate of 20%.

## SOCIAL TAX RATES

Social tax is paid by employer in full and the general rate is 33% (20% for social security and 13% for health insurance) of the gross payment. If the person is assigned to a business trip within the EU, then the EU social security rules must be applied. EU national working temporarily in another EU member state can continue to be covered by the social security system of the home country (usually for up to 2 years). The person must obtain an A1 certificate.

**For further information and to register for future updates contact [expat@bdo.global](mailto:expat@bdo.global)**

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication. No entity of the BDO network, its partners, employees and agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

The BDO network (referred to as the 'BDO network') is an international network of independent public accounting, tax and advisory firms which are members of BDO International Limited and perform professional services under the name and style of BDO (hereafter: 'BDO member firms'). BDO International Limited is a UK company limited by guarantee. It is the governing entity of the BDO network.

Service provision within the BDO network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium.

Each of BDO International Limited, Brussels Worldwide Services BV and the BDO member firms is a separate legal entity and has no liability for another entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV and/or the BDO member firms. Neither BDO International Limited nor any other central entities of the BDO network provide services to clients.

BDO is the brand name for the BDO network and for each of the BDO member firms.

The fee income of the member firms in the BDO network, including the members of their exclusive alliances, was US\$ 11.8 billion in 2021. These public accounting, tax and advisory firms provide professional services in 167 countries & territories, with 97,292 people working out of 1,728 offices worldwide.

© Brussels Worldwide Services BV December 2022

[www.bdo.global](http://www.bdo.global)