

INPATRIATES

Estonia

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

A non-resident taxpayer, with no permanent establishment in Estonia, pays income tax only on the following profit received from a source of revenue located in Estonia:

- Income derived from work or from the provision of services;
- Remuneration paid to a non-resident member of a management or controlling body;
- Business income;
- Gains derived from transfer of property (limited); Income derived from a commercial lease or royalties;
- Interest (limited);
- Dividends - Starting in 2019, if dividends are taxable at a reduced rate i.e., 14/86 (as compared to the general 20/80) in the hands of a company distributing profit, and the recipient of a dividends is a natural person, income tax of 7% must be withheld from the dividend payment;
- Pensions, scholarships and grants, cultural, sports and scientific awards, benefits, gambling winnings and benefits paid for the Parental Benefit Act, insurance indemnities, payments made to a non-resident from Estonian pension funds;
- Remuneration paid to a non-resident artist, sports person in connection with his or her performance or competition in Estonia.

Generally, non-residents cannot claim the same deductions and allowances that are available to residents. Therefore, income tax shall be withheld from the gross amount.

A withholding agent (e.g., employer) is required to withhold income tax upon making a payment.

A resident natural person of a Contracting State who has received his/her taxable income in Estonia can make the deductions from his/her income taxable in Estonia, which are available to residents. Therefore, residents of the contracting states of the European Economic Area no longer need to calculate the share of taxable income in Estonia in order to determine the amount of deductions. Residents of the European Economic Area can make deductions in full.

As the taxation of non-residents is generally performed by withholding, a non-resident is required to submit an income tax return only in specific cases, e.g., transfer of property (Form V1), business income (Form E1) and income from which income tax has not been withheld (Form A1).

The income tax return should be submitted by April 30th of the following year. If a non-resident transfers immovable property in Estonia, the tax return (Form V1) must be submitted by April 30th of the following year. Income tax return (Form E1) on business income of non-resident derived in Estonia must be submitted by April 30th of the following year.

Income tax is withheld by the paying entity at a rate of 20%, or at a lower rate of 10% for some types of income, monthly. The income tax must be withheld on all taxable payments made and declared (on Form TSD-S annex 2) and transferred to the Estonian Tax and Customs Board by the 10th of every month, following the month of payment.
Resident vs. Nonresident:

A natural person is a resident if one of the following conditions are met:

- His/her place of residence or center of vital interest is in Estonia;
- He/she stays in Estonia for at least 183 days in 12 consecutive months. A person will be considered a resident as of the date of arrival in Estonia;

If the conditions above are not met, a natural person is considered a non-resident.

INCOME TAX RATES

Tax rate	Comment
20%	Generally income tax is withheld at a rate of 20%
10%	Income tax is withheld at a rate of 10% from: <ul style="list-style-type: none">• Royalties paid to a non-resident;• Payments made to a non-resident artist, sportsman or sportswoman for activities conducted in Estonia, and payments made to a third person who is a non-resident or a natural person for activities conducted in Estonia by an artist, a sportsman or a sportswoman;• Payments to a non-resident for services provided in Estonia;• Supplementary funded pension specified in § 21 of the Estonian Income Tax Act.

** If an international agreement (for example, tax treaty) prescribes lower rates for withholding income tax from a payment made to a non-resident than the rates specified in the Estonian income Tax Act, the rates prescribed by the international agreement are applied.*

SOCIAL TAX RATES

The social tax is paid at a rate of 33% on all payments made to employees for salaried work performed. Employers (including non-resident employers) pay the social tax in full.

Pursuant to the Estonian Social Tax Act, social tax is to be paid on wages and other remuneration paid to employees, on remuneration paid to members of management and controlling bodies of legal persons, on fringe benefits and on income tax calculated on fringe benefits.

A current minimum obligation for social tax to be paid is EUR 192,72 monthly (per employee), even if there were no payments for salaried work. There is no “taxable maximum” applicable.

EU national working temporarily in another EU member state can remain covered by the social security system of the home country (usually for up to 2 years). The person must obtain an A1 certificate.

An employer must pay unemployment insurance Premium of 0.8% from all salary payments made to the employee and withhold 1.6% of unemployment insurance Premium from the salary paid to the employee.

Mandatory Funded Pension Payment

An employer must withhold 2% of mandatory funded pension payment from the salary payment made to the employee.

REGISTRATION/FORMALITIES

A non-resident employer having an employee (resident or non-resident) in Estonia must register as a non-resident employer in Estonia. For registration purposes, an application on Form R2 needs to be submitted.

All natural and legal persons providing the employment are required to register the persons employed by them in the employment register. Consequently, a non-resident employee needs to obtain the Estonian personal identification code. Non-residents can apply for a personal identification code in the following two ways:

- With the closest Estonian county government by going there in person;
- Persons who do not have the possibility to apply for the personal identification code in Estonia, e.g., are arriving to work in Estonia with a visa, can submit the application with the foreign mission of Estonia in a foreign country (Estonian Embassy).

For further information and to register for future updates contact expat@bdo.global

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