

Tax Agenda Estonia

September 2022



No.	Fact	Action	
1	<p>Planning of profit distributions and corporate income tax</p> <p>Estonia has a cash-based corporate income tax system: profit is taxable at the moment of distribution. Effective corporate income tax may be 0-20% of gross distributed profit.</p>	Assess taxes applicable to the distribution of Estonian profits	● ●
2	<p>Reporting of loans</p> <p>Estonian tax authorities monitor loans taken and provided by the Estonian subsidiaries. Majority of related party loans must be reported on a quarterly basis.</p>	Assess whether loans of Estonian subsidiary have business rationale and that the interest rate complies with transfer pricing rules.	● ●
3	<p>Thin capitalization rules</p> <p>Estonia applies thin capitalization rules if the total interest expense exceeds €3 million per year. The exceeding part may be subject to corporate income tax at the rate of 20/80.</p>	Review interest expense (both related and unrelated parties) of the Estonian subsidiary and check whether there may be additional tax payable.	● ●
4	<p>Bad debt VAT relief from 1 January 2022</p> <p>Estonia introduced bad debt VAT relief as of 1 January 2022, which may provide cash flow improvement.</p>	Identify eligible receivables to apply for a refund.	●



Use text boxes above the timeline to plan your actions for coming months

● Compliance ● Risk management ● Cash-flow / ETR impact

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5	<p>Tax shield - contributions to the equity</p> <p>Contributions to the equity of an Estonian company should be reported to the tax administration by the 10th of the following month. The reporting is necessary to be eligible for tax exemptions applicable to these amounts in the future.</p>	<p>Analyze whether all equity contributions are properly reported. In case of discrepancies, amendments can be made within 3 years from the initial deadline.</p>
6	<p>Tonnage tax</p> <p>Estonia introduced tonnage scheme for taxation of income from international sea carriage of goods and passengers as of 1 July 2020.</p>	<p>Analyze the scheme criteria to identify eligibility for the regime</p>

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