Tax Agenda Estonia

April 2023

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

Apr | May | Jun | Jul

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

Compliance | Risk management | *Cash-flow and ETR impact*

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5	**Tax shield -contributions to the equity** 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.	Analyze whether all equity contributions are properly reported. In case of discrepancies, amendments can be made within 3 years from the initial deadline.
6	**Tonnage tax** Estonia introduced tonnage scheme for taxation of income from international sea carriage of goods and passengers as of 1 July 2020.	Analyze the scheme criteria to identify eligibility for the regime.
7	**Taxation of platforms** The Estonian tax authorities have issued guidelines according to which individuals operating on various platforms should be treated as employees and payments to them are subject to payroll taxes.	Platform providers should analyze the profile of their participants in order to identify persons who are not economic operators and to whom payouts should be subject to payroll taxes.
8	**Transactions with countries in the EU list of non-cooperative jurisdictions** On 21 February 2023, the revised list of non-cooperative jurisdictions for tax purposes was published in the Official Journal, adding to the list four new jurisdictions (including Russia). Estonia applies immediate withholding tax on all services purchased from the jurisdictions in the list. Estonia also imposes corporate income tax on the acquisition of securities, holdings or a right of claim against entities located in these jurisdictions, as well as any fines, contractual penalties, compensations, loans and advance payments to such jurisdictions. All dividends redistributed in Estonia previously received from entities that are registered or resident in a jurisdiction that is included in the list are subject to taxation in Estonia.	Analyze transactions with companies registered in Russia and other countries of the EU list to identify possible tax risks.

Contacts:

Ranno Tingas
Partner/ TAX
Ernst & Young Baltic AS
ranno.tingas@ee.ey.com

Hedi Wahtramäe
Director
Ernst & Young Baltic AS
hedi.wahtramae@ee.ey.com

Jevgeni Semjonov
SeniorManager
Ernst & Young Baltic AS
jevgeni.semjonov@ee.ey.com

Tõnis Elling
Manager
Ernst & Young Baltic AS
tonis.elling@ee.ey.com

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