
# Tax Agenda Estonia

**May 2024**

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| No. | Fact | Action |
|---|---|---|
| 1 | **Increase of VAT rate from 2024**<br>Standard VAT rate increase from 20% to 22% from 2024. This amendment and some other VAT amendments affect output VAT depending on time of supply. | Check correctness of VAT accounting and tax compliance systems, but also in client communication and business plans |
| 2 | **Increase of income tax rate from 2025**<br>Both corporate and personal income tax rates will increase from 20% to 22% from 2025. The lower corporate income tax rate of 14%, currently applicable to regular dividends, will be abolished from 2025 | The reduced corporate income tax rate of 14% on profit distribution will apply for 2024 only. |
| 3 | **Thin capitalization rules**<br>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. | As the interest rates have rapidly increased, review interest expense (both related and unrelated parties) of the Estonian subsidiary and check whether there may be additional tax payable. |
| 4 | **Reporting of loans**<br>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. |

May — Jun — Jul — Aug

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

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

| No. | Fact | Action |
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| 5 | **Tax shield -contributions to the equity**<br>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 | **Taxation of platforms**<br>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. |
| 7 | **Transactions with countries in the EU list of non-cooperative jurisdictions**<br>The list of non-cooperative jurisdictions for tax purposes includes Russia which is neighboring country to Estonia. 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. |

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