



# ESTONIA TAX CARD 2024

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# 1. Individuals

## 1.1 Personal Income Tax

The tax year in Estonia is the calendar year.

- Resident natural persons submit income tax returns on their income received during the previous calendar year.
- Non-residents must submit their income tax return themselves if they receive income in Estonia from business or the transfer of property.

### 1.1.1 Important deadlines:

15th of February	Submission of income tax returns through the e-services environment e-MTA available. Service bureaus start to issue printouts of the pre-completed income tax returns.
2nd of May	Deadline for submission of income tax returns.
1st of October	Term for payment of additional income tax and refund of overpaid amount of income tax.

### 1.1.2 Submission of income tax return is obligatory for the following persons:

- sole proprietors (in addition to the basic form of an income tax return (form A) they must submit an income tax return on business income (form E)
- persons who received income (incl. dividends) from abroad. Both, income from employment and dividends taxable in Estonia and also income, which in accordance with the international agreements is not taxed in Estonia, must be declared
- persons to whom basic exemption was applied during the year in an amount exceeding the allowed annual basic exemption
- persons whose loss upon transfer of securities is bigger than gains derived from transfer of securities in the period of taxation and who wish to deduct the amount by which the loss exceeds the gains from the gains received from transfer of securities in subsequent periods of taxation
- persons who have made contributions to or disbursements from the investment account
- persons who want to declare increased basic exemption for spouse

### 1.1.3 Income declared in tax return:

- Wages, salary and pension
- income from employment, sickness benefit, state pension, interest and other taxable income on which income tax has been withheld
- envelope wages
- entrepreneur account (LHV Pank's service)
- income earned abroad
- Income for rent (rented real estate or agricultural land)
- Sale of securities
- Investment account
- Sale or exchange of crypto-assets
- Sale of real estate

### 1.1.4 Deductions allowed from taxable income

- basic exemption (amount depends on the amount of annual income)
- increased basic exemption upon provision of maintenance to child (1848 euros for the second child and 3048 euros starting from the third child)
- housing loan interest, training expenses, gifts and donations (up to 1 200 euros in total, including interest on housing loan up to 300 euros)
- contributions to supplementary funded pension (up to 15% of taxable income, but not more than 6000 euros)

**NB: From January 1, 2024, natural persons can no longer deduct from taxable income above-mentioned in blue.**

These deductions can still be made from the income earned in 2023, which is declared on the person's income tax return by May 2nd, 2024.

## 1.2 Income tax rates and yearly tax exemption

Chargeable Income (EUR) a year	Tax rate	Tax exemption (EUR)
Up to <b>14 000</b>	20%	<b>7847</b>
<b>14 401 to 25 200</b>	20%	basic exemption decreases according to the following formula: <b><math>7848 - 7848 \div 10\,800 \times (\text{income amount} - 14\,400)</math></b>
above <b>25 201</b>	20%	basic exemption is <b>0</b>

### 1.2.1 Annual income includes:

- remuneration and other fees (holiday pay, grant, sickness benefit etc.);
- service fees received on the basis of a contract under the law of obligations;
- business income;
- gains from transfer of property;
- rental income, royalties, interest;
- dividends;
- taxable state pension, including the flexible old-age pension and the old age pension under favourable conditions related to certain occupations (e.g. occupations that are detrimental to health, superannuated pensions, and the pension of a policeman, prosecutor, judge, official of the National Audit Office, and Chancellor of Justice if a person has not reached the pensionable age) from I pillar;
- payments from supplementary funded pensions (III pillar), which is taxed with 20% tax rate;
- benefits, scholarships and grants, awards, compensations or other income.

### 1.2.2 Annual income does not include:

- compensations, benefits, scholarships and grants exempt from tax;
- tax exemptions (for example sale of housing or transfer of movable property in personal use) which are not declared in a natural person's income tax return;
- payments from mandatory funded pension (II pillar) and supplementary funded pension (III pillar) exempt from tax;
- payments (incl. compensations) from mandatory funded pension (II pillar) which have been taxed with 20% or 10% tax rate and
- payments from supplementary funded pension (III pillar) which have been taxed with 10% tax rate.

## 2. Businesses, payroll

Estonian legislation is transparent and supportive of business. We have the most competitive and investment-friendly taxation system in Europe.

Estonia is well known as a digital country – E-Estonia. The goal of the development of a digital country in the 2030 development plan: the best experience of a digital country.

Estonia is the only country where anyone from anywhere can register a company without being physically present, and in record speed. Company registration takes only 2-4 hours, including registration as a VAT-liable person.

There's no need for a local director. With e-Residency, distributed management teams can start and run a company easily from anywhere.

### 2.1 Important deadlines:

Tax obligation	Deadline
Declaration of income and social tax, unemployment insurance premiums and contributions to mandatory funded pension (form TSD) + annexes	10 <sup>th</sup> day of the month following the taxable period.
VAT return and a report on intra-Community supply (VD report), together with the main VAT return form KMD, a person liable to VAT must also submit the annex KMD INF on a monthly basis.	20th day of the month following the taxable period.
Gambling tax	by the 15th day of the calendar month following the taxable period.
Environmental charges	declared and paid by the 17th day of the month following the reporting quarter (17 April, 17 July, 17 October and 17 January)
Forest transactions	by 10 January
Land tax	at least half of the amount, but not less than 64 euros must be paid by 1 April; and the rest of the amount land tax by 1 October.

### 2.1.1 Penalties

Delayed submission of return/declaration	100 EUR, additional 100 EUR when still unsubmitted
Tax debt	Until full payment of tax arrears, the arrears are subject to a daily interest rate of 0.06 per cent

## 2.2 E-residency

Estonia is the first country to offer e-Residency.

An e-resident is a foreigner, for whom, as a benefit, Estonia has created a digital identity and issued a digital identity card – an e-resident digi-ID, on the basis of the identification credentials of their own country of citizenship.

Electronic ID is key to all the Estonian e-services that require authentication. Holders of an e-resident's digi-ID card can log into every portal and access every information system that accepts the Estonian ID-card.

For example, e-resident entrepreneurs can make transactions in an internet bank, electronically submit income tax returns, as well as digitally sign documents and contracts.

**E-Residency does not provide tax residency, right of residence, or permission to enter Estonia or the European Union. The digital ID of an e-resident is not a physical identity or travel document, and it does not include a photo.**

## 2.3 Payroll taxes

Tax	Tax rate	Type of tax
Income tax	20%	Withheld of gross salary
Social tax	33%	Calculated based on gross salary, additional obligation for employer
Unemployment insurance premium, employer	1,6%	Withheld of gross salary
Unemployment insurance premium, employee	0,8%	Calculated based on gross salary, additional obligation for employer
Funded pension payment	2%	Withheld of gross salary, <b>not a mandatory tax</b>

## 2.4 Income Tax

In Estonia, companies pay (corporation) income tax only when profit is distributed as dividends or in other form, on fringe benefits, gifts, donations, costs of entertaining guests, as well as expenses not related to business.

Income tax at the rate of 20% is withheld from the income subject to taxation on the gross principle: from remuneration paid under the contract of employment or remuneration paid for the provision of other services under the law of obligations; rent, royalties; interest; benefits, grants and scholarships; pensions and other income.

The system of corporate earnings taxation in force currently in Estonia is a unique system, which shifts the moment of corporate taxation from the moment of earning the profits to the moment of their distribution.

### 2.4.1 Dividends

A dividend is a payment which is made from the net profit or the retained profits from previous years pursuant to a resolution of a competent body of a legal person, and the basis for which is the recipient's holding in the legal person.

Estonian company pays corporate income tax at the moment of payment, while tax rate is calculated from net amount, 20/80 of the payment.

The company income tax rate is the rate of 20% as in the provisions for the taxation of salaried work payments. The difference is that 20% is applied to gross payments and 20/80 is applied to net payments.

A reduced tax rate (14/86) applies to part of dividends paid by the Estonian resident company regularly. The natural person receiving such dividends taxed at a reduced rate (14/86) in the hands of the Estonian company or a permanent establishment of a non-resident company, has to pay income tax at a rate of 7% in addition. It has to be withheld by the payer.

A non-resident natural person has to pay income tax on dividends received from the Estonian company in the resident country also and he or she cannot take into account the corporate income tax (20/80 or 14/86) paid in Estonia by the Estonian resident company to avoid double taxation of the recipient. Only the income tax withheld at a rate of 7% may qualify to avoid double taxation of the natural person recipient.



## 2.5 Social Tax

Social tax is levied on income from employment and business in order to finance pension insurance and state health insurance. The social tax rate is 33% on the taxable amount.

In 2024, the monthly rate on which the minimum social tax liability is based is 725 euros, i.e. the minimum social tax liability for the employer is 239,25 euros per month.

Social tax is paid by:

- employers; the tax is declared in the tax return form TSD and is paid monthly;
- sole proprietors on their business income;

## 2.6 Unemployment insurance premium

In 2024, an unemployment insurance premium to be withheld is 1,6% of the gross salary of an employee.

In addition to this, employers pay the unemployment insurance premium at a rate of 0,8% of the amount of gross salaries monthly.

In case of recipient who has become in the age of old age pension, unemployment insurance premium (1,6%) will not be withheld any more, although the part of the employer (0,8%) is still payable.

## 2.7 Funded Pension payment

A rate of a funded pension payment is 2% of the gross salary of a resident employee.

Not all residents have joined the funded pension pillar, it is voluntary in Estonia. Also, funded pension payment is not to be withheld from payment made to a non-resident.

As of 1 January 2024, persons who have joined the II pillar will have the opportunity to increase their 2% funded pension contribution rate to 4% or 6% if they wish.

### 3. Value-added tax

<b>22%</b>	Standard VAT rate
<b>9%</b>	books and educational literature; medicinal products; accommodation services or accommodation services with breakfast
<b>5%</b>	press publications, both on a physical medium and electronically
<b>0%</b>	exported goods; intra-Community supply of goods, services
<b>Supply exempt from VAT</b>	universal postal services; health services; social services; pre-school, basic, vocational, secondary and higher education, including learning materials; transportation of sick, injured or disabled persons; insurance services; the leasing or letting of immovables or parts thereof, establishment of a usufruct on immovables or parts thereof; immovables or parts thereof; securities; lottery tickets and the organization of gambling; investment gold; leasing transactions; cash transfer and other money transmission transactions

#### 3.1 General principles of VAT

The obligation to register for VAT purposes arises when economic operator's taxable supply exceeds 40,000 euros as calculated from the beginning of a year. Otherwise, it is voluntary.

A person liable to value added tax (VAT) shall pay VAT on

- sales supply,
- goods and services purchased from an entrepreneur of a foreign country which are subject to reverse charge in Estonia,
- goods imported into Estonia and
- goods purchased from another taxable person of Estonia which are subject to internal reverse charge.

A person liable to VAT is entitled to the right to deduct input value added tax.

The taxable period is one calendar month.

The deadline for submitting both a VAT return and a report on intra-Community supply is the 20th day of the month following the taxable period. Together with the main VAT return form KMD, a person liable to VAT must also submit the annex KMD INF on a monthly basis.

## 4. Other taxes and claims

### 4.1 Land tax

Land tax is a state tax and imposed on all land in Estonia, except land where economic activities are prohibited. Land tax is paid by owners or users of land – private individuals, businesses and the state alike.

The taxing of land is based on the taxable value of land. The maximum tax rates in 2024 are:

- residential land and profit-yielding land in the use for the land use type of yard land 0.1 - 0.5%
  - profit-yielding land 0.1% - 0.5%
  - other land with intended purpose 0.1% - 1.0%
- of taxable value of land per year.

There are two deadlines for payment of land tax in 2024 – 1 April and 1 October.

Land tax in the amount of up to 64 euros on land located within the territory of one local government must be paid by 1 April.

If the land tax amount exceeds 64 euros, then:

- at least half of the amount, but not less than 64 euros must be paid by 1 April;
- and the rest of the amount land tax by 1 October.

In 2024, land under home - 0.15 hectares in densely populated areas and 2 hectares elsewhere - is still exempt from land tax.

### 4.2 Forest transactions

All natural and legal persons who have sold and purchased cutting right and/or timber are required to submit a notice concerning the cutting right or timber sold or purchased (forest transaction notice) to the Tax and Customs Board once a year.

The notice of transactions of the previous year must be submitted by 10 January.

No notice is required if less than 20 solid cubic metres of timber is sold or purchased per year.

Even if less than 20 cubic meters of timber has been sold per year, income from the sale of timber must still be declared in the income tax return of a natural person (in table 6.2).

## 4.3 Road user charge

In Estonia, it is required to pay road user charge for all heavy goods vehicles that weigh over 3.5 tonnes and are used on the public road network.

Road user charge should be paid by the owner of the heavy goods vehicle.

If the authorized user of the heavy goods vehicle has been entered in the traffic register, the authorized user is obligated to pay the road user charge.

In addition to the heavy goods vehicles registered in Estonia, the heavy goods vehicles registered abroad will also be obligated to pay the road user charge.

The rate depends on the maximum authorized mass of the heavy goods vehicle and its trailer, the number of axles, and the emission class of the heavy goods vehicle.

## 4.4 Environmental charges

Environmental charges are the cost of the right of use of the environment.

Environmental charges must be paid by persons who, on the basis of an environmental permit or another basis provided by law, have been granted the right to remove natural resources from their natural state, emit pollutants into the environment or dispose waste or who have performed those acts without the corresponding right.

Environmental charges are declared and paid by the 17th day of the month following the reporting quarter (17 April, 17 July, 17 October and 17 January).

Environmental charges declarations must be submitted to the Environmental Board.

Environmental charges are paid to the account of the Estonian Tax and Customs Board.

## 4.5 Gambling tax

Any company holding an activity license or operating permit for organizing gambling has to declare and pay the gambling tax.

The taxable period for taxing gambling is a calendar month.

The gambling operator must submit a gambling tax return to the Estonian Tax and Customs Board and pay the gambling tax by the 15th day of the calendar month following the taxable period.

The gambling tax return contain 9 annexes corresponding to different types of gambling. Gambling operators have to submit annexes to the tax return according to the type of gambling they organize.

### 4.5.1 Gambling Tax rates

- In the case of games of chance organized on gambling machines, 300 euros per gambling machine and 10% of the amount received out of the bets made on gambling machines, less prizes;'
- in the case of games of chance organized on gambling tables, 1278.23 euros per gambling table;
- in the case of organizing games of chance and games of skill as a remote gambling, 5% of the amount received from bets, less prizes;
- in the case of organizing a tournament of game of chance as a tournament, 5% of the amount received from the fees of the tournament, which is the total amount of the fees the players pay to the tournament organizer forming the tournament's prize pool and the organizer's service fee;
- in the case of organizing a tournament of game of chance as a ring game, 5% of the amount of the participation fees, which is the total amount of the fees received by the gambling operator out of the bets made by the players in the ring game;
- in the case of organizing a toto, 5% of the sum received from the bets made by players, less prizes;
- in the case of lottery, 18% of the amount received from the sale of lottery tickets;
- in the case of games of skill on a gaming machine, 31.95 euros per gaming machine;
- in the case of commercial lottery, 18% of the total amount of the prize pool.

## 4.6 Customs Duties

A customs duty is a state tax imposed by EU law that a person or company must pay on goods imported into the European Union (import duties) from third countries (non-EU countries).

Customs duty rates are set on the basis of the common commercial policy of the Union.

Import of goods may be subject to excise duty and VAT in addition to customs duties.

## 4.7 Excise duties

In Estonia, excise goods (alcohol, tobacco products, fuel and electricity) are taxed with excise duty.

Packaging placed on the market in Estonia or acquired in another Member State of the European Union and imported to Estonia is also subject to excise duty.