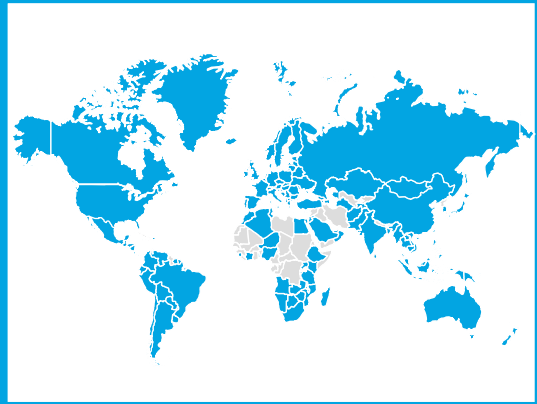


EXPATRIATES

Estonia

Tax facts for international assignees



INCOME TAX: WHO IS LIABLE

Generally, an income tax return needs to be submitted even if the person resides outside of Estonia.

A resident natural person is required to submit an income tax return to the Tax and Customs Board concerning the income for a period of taxation no later than 30 April of the year following the period of taxation.

The Tax and Customs Board calculates any additional amount of tax due and issues a written tax notice to the taxpayer. A taxpayer is required to pay any additional amount due which is specified in the tax notice into the bank account of the Tax and Customs Board no later than July 1st of the calendar year following the period of taxation.

If a resident taxpayer has income derived from abroad during a period of taxation, such income is included in the taxable income and any income taxes paid or withheld on such income is deducted from the income taxes to be paid in Estonia (credit method).

If the Estonian income tax calculated, in accordance with the Income Tax Act, on income derived in a foreign country exceeds the amount of income taxes in the foreign country, the taxpayer is required to pay the difference between the foreign income tax and Estonian income tax as an additional tax.

Amounts paid to an employee for expenses related to business travel and daily allowances during assignments abroad (within the limits stipulated based on the foreign location) is not considered compensation subject to income tax.

Whether an individual will remain resident in their home country when working abroad depends on a number of different factors.

BREAKING RESIDENCY - EXIT PROCEDURES

A resident natural person who has reason to believe that his or her status as an Estonian resident will change as they leave Estonia, should file an application with the tax authority on Form R for changing their residency for tax purposes in the register of taxable persons.

In order to be released from Estonian citizenship, the individual must submit an application and attach documentation showing facts which bear relevance to taking the decision on releasing the individual from Estonian citizenship.

INCOME TAX RATES

Personal income is taxed at a rate of 20%.

SOCIAL TAX RATES

Social tax is paid by employer in full and the general rate is 33% (20% for social security and 13% for health insurance) of the gross payment.

If the person is assigned to a business trip within the EU then the EU social security rules must be applied. EU national working temporarily in another EU member state can still remain covered by the social security system of the home country (usually for up to 2 years). The person must obtain an A1 certificate.

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

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