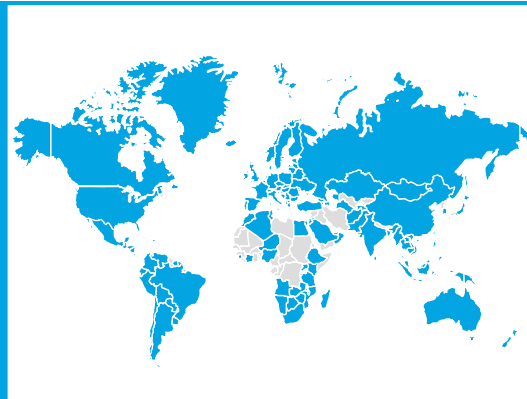


# INPATRIATES

## Estonia

### Tax facts for international assignees



#### INCOME TAX: WHO IS LIABLE/RESIDENCY

A non-resident taxpayer, with no permanent establishment in Estonia, pays income tax only on the following profit received from a source of revenue located in Estonia:

- Income derived from work or from the provision of services;
- Remuneration paid to a non-resident member of a management or controlling body;
- Business income;
- Gains derived from transfer of property (limited);
- Income derived from a commercial lease or royalties;
- Interest (limited);
- Dividends - Starting in 2019, if dividends are taxable at a reduced rate i.e., 14/86 (as compared to the general 20/80) in the hands of a company distributing profit, and the recipient of a dividends is a natural person, income tax of 7% must be withheld from the dividend payment;
- Pensions, scholarships and grants, cultural, sports and scientific awards, benefits, gambling winnings and benefits paid on the basis of the Parental Benefit Act, insurance indemnities, payments made to a non-resident from Estonian pension funds;
- Remuneration paid to a non-resident artist, sports person in connection with his or her performance or competition in Estonia.

Generally, non-residents cannot claim the same deductions and allowances that are available to residents. Therefore, income tax shall be withheld from the gross amount.

A withholding agent (e.g., employer) is required to withhold income tax upon making a payment.

An exception applies where a natural person, who is a resident of a Contracting State, and who received at least 75 percent of his or her taxable income in Estonia, can take deductions which are available to residents.

Income tax is withheld by the paying entity at a rate of 20%, or at a lower rate of 10% for some types of income, monthly.

The income tax has to be withheld on all taxable payments made and declared (on Form TSD-S annex 2) and transferred to the Estonian Tax and Customs Board by the 10th of every month, following the month of payment.

As the taxation of non-residents is generally performed by withholding, a non-resident is required to submit an income tax return only in specific cases, e.g., transfer of property (Form V1), business income (Form E1) and income from which income tax has not been deducted (Form A1).

The income tax return should be submitted by April 30th of the following year. If a non-resident transfers (sells) immovable property, the tax return (V1) must be submitted within one month following the date of receiving the gain, and Form E1 by July 1st following the taxable period.

#### Resident vs. Nonresident

A natural person is a resident if one of the following conditions are met:

- His or her place of residence or center of livelihood interest is in Estonia;
- He or she stays in Estonia for at least 183 days over the course of a period of 12 consecutive calendar months. A person shall be deemed to be a resident as of the date of his or her arrival in Estonia;

If the conditions above are not met, a natural person is considered a non-resident.

## INCOME TAX RATES

Tax rate	Comment
20%	Generally income tax is withheld at a rate of 20%
10%	Income tax is withheld at a rate of 10% from: <ul style="list-style-type: none"><li>• Royalties paid to a non-resident;</li><li>• Payments made to a non-resident artist, sportsman or sportswoman for activities conducted in Estonia, and payments made to a third person who is a non-resident or a natural person for activities conducted in Estonia by an artist, a sportsman or a sportswoman;</li><li>• Payments to a non-resident for services provided in Estonia;</li><li>• Supplementary funded pension specified in § 21 of the Estonian Income Tax Act.</li></ul>
<i>* If an international agreement (for example, tax treaty) prescribes lower rates for withholding income tax from a payment made to a non-resident than the rates specified in the Estonian income Tax Act, the rates prescribed by the international agreement are applied.</i>	

## SOCIAL TAX RATES

The social tax is paid at a rate of 33% on all payments made to employees for salaried work performed. Employers (including non-resident employers) pay the social tax in full.

Pursuant to the Estonian Social Tax Act, social tax is to be paid on wages and other remuneration paid to employees, on remuneration paid to members of management and controlling bodies of legal persons, on fringe benefits and on income tax calculated on fringe benefits.

A current minimum obligation for social tax to be paid is EUR 178.20 monthly (per employee), even if there were no payments for salaried work. There is no “taxable maximum” applicable.

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.

An employer must pay unemployment insurance Premium of 0.8% from all salary payments made to the employee and withhold 1.6% of unemployment insurance Premium from the salary paid to the employee.

## Mandatory Funded Pension Payment

An employer must withhold 2% of mandatory funded pension payment from the salary payment made to the employee.

## REGISTRATION/FORMALITIES

A non-resident employer having an employee (resident or non-resident) in Estonia has to register as a non-resident employer in Estonia. For registration purposes, an application on Form R2 needs to be submitted.

All natural and legal persons providing the employment are required to register the persons employed by them in the employment register. Consequently, a non-resident employee needs to obtain the Estonian personal identification code. Non-residents can apply for a personal identification code in the following two ways:

- With the closest Estonian county government by going there in person;
- Persons who do not have the possibility to apply for the personal identification code in Estonia, e.g. are arriving to work in Estonia with a visa, can submit the application with the foreign mission of Estonia in a foreign country (Estonian Embassy).

For further information and to register for future updates contact [expat@bdo.global](mailto:expat@bdo.global)

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations. The information contained within this publication is based upon information available up to the version date indicated in the document footer, and is accurate only as of such version date. While every reasonable effort has been taken by BDO to ensure the completeness and accuracy of the matter contained in this publication, the information contained herein does not constitute an examination of any recipient's compliance with laws, regulations, or other matters. You should not act, or refrain from acting, upon the information contained herein without obtaining specific professional advice. Please contact the appropriate BDO Member Firm to discuss these matters in the context of your particular circumstances. Neither the BDO network, nor the BDO Member Firms or their partners, employees or agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO is an international network of public accounting, tax and advisory firms, the BDO Member Firms, which perform professional services under the name of BDO. Each BDO Member Firm is a member of BDO International Limited, a UK company limited by guarantee that is the governing entity of the international BDO network. Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium. Each of BDO International Limited, Brussels Worldwide Services BVBA and the member firms of the BDO network is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA and/or the member firms of the BDO network.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

© Brussels Worldwide Services BV, December 2020

[www.bdo.global](http://www.bdo.global)