



REPUBLIC OF ESTONIA
TAX AND CUSTOMS BOARD

Tax in Estonia

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Taxpayer registration

- ✓ Estonian ID-code is **tax registration** code in Estonia
- ✓ ID-code is used for the personification of income and payments for taxation purposes
- ✓ **Tax residency** must be determined by tax administration
- ✓ (form R to be submitted by **employee to tax board**)

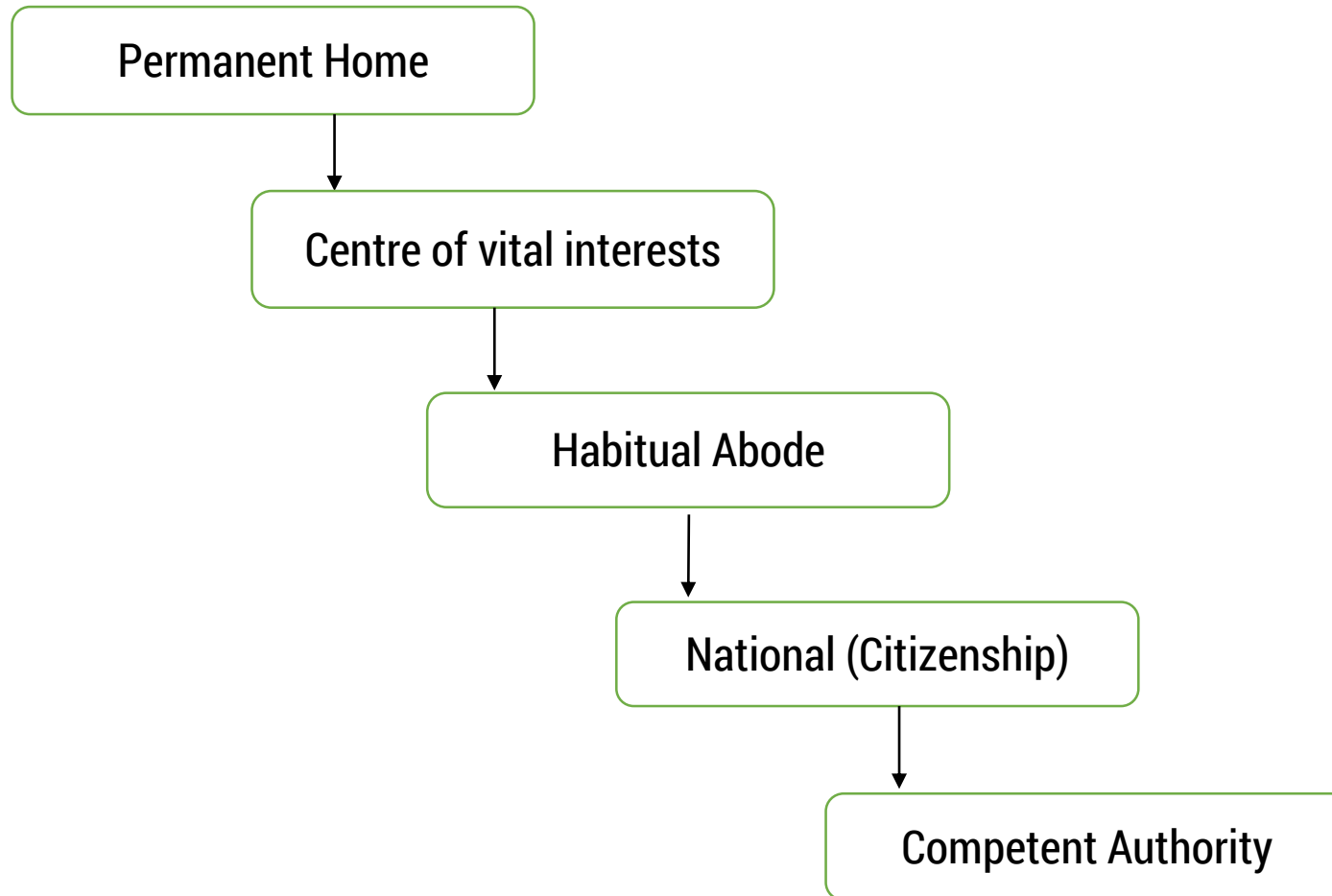


Form R

3. Eesti residentsuse tekkimine (täidetakse Eestisse saabumisel) / Beginning of the Estonian residency (to be filled in upon arrival to Estonia)	
3.1 Millal saabute või saabusite Eestisse (päev, kuu, aasta, millest alates residentsus muutub)? When will or did you arrive in Estonia (date, month, year, from which the residency changes)?	
3.2 Kas Teil on perekond (abikaasa, elukaaslane, alaealised lapsed, ülalpeetavad)? Do you have a family (spouse, partner, underage children or dependants)?	<input type="checkbox"/> Jah / Yes <input type="checkbox"/> Ei / No
3.3 Kui eelmisele küsimusele vastasite „jah“, siis kas Teie perekond (abikaasa, elukaaslane, alaealised lapsed, ülalpeetavad) elab või saabus koos Teiega Eestisse? If the answer to the previous question was “yes”, does your family (spouse, partner, underage children or dependants) live or arrive in Estonia with you?	<input type="checkbox"/> Jah / Yes <input type="checkbox"/> Ei / No
3.4 Mis liiki tulu (töötasu, ettevõtlustulu, pension, intress, üür jne) ja millisest riigist saate? Which type of income (employment, business, pension, interest, rent) and from which country do you receive?	
Tululiik / Type of income	Riik / Country
3.5 Kas Teil säilib elukoht väljaspool Eestit? Do you maintain home outside Estonia?	<input type="checkbox"/> Jah / Yes <input type="checkbox"/> Ei / No
3.6 Kas kavatsete jääda Eestisse alaliselt elama? Do you intend to stay permanently in Estonia?	<input type="checkbox"/> Jah / Yes <input type="checkbox"/> Ei / No
Kui ei, siis kui kauaks kavatsete Eestisse jääda? If no, for how long you are planning to stay?	kuni (päev, kuu, aasta) until (day, month, year)
3.7 Millise riigi (milliste riikide) kodanik olete? What is your citizenship (name the state(s))?	



Tax residency determination rules





Employment registration

- ✓ **Employment** must be registered by employer (TÖR)
- ✓ Every employee can check own employment registration via e-MTA
- ✓ (employer, type and period, occupational title)



Employment registration

The screenshot displays the 'Registers and inquiries' section of the Tax and Customs Board website. The left sidebar contains navigation icons for 'GENERAL OV...', 'TAXES', 'CUSTOMS', 'REPORTS', and 'REGISTERS A...'. The main content area is titled 'Registers and inquiries' and features a list of registration options under the heading 'REGISTRATION ='. The option 'Registration of employment' is highlighted in yellow. Below it are 'Registration of the VAT liable person' and 'Registration of a non-resident'. At the bottom of the sidebar, a tooltip points to the 'Registers and inquiries' icon, containing the text 'Registers and inquiries use of digital services (MOSS)'. A text box on the right explains the purpose of the registers and inquiries.

Registers and inquiries

REGISTRATION =

- Registration of employment
- Registration of the VAT liable person
- Registration of a non-resident

Registers and inquiries use of digital services (MOSS)

Here you can make registrations to the Tax and Customs Board registers, and view data on your income, data on social tax and mandatory funded pension calculated and paid by employers, your information in the employment register, etc. You can also compile certificates here and make inquiries to the public registers.



Procedure of tax declaration

- ✓ **Payer (employer)** has to withhold income tax and pay social security taxes from payments made to both non-resident and resident recipient
- ✓ Tax declaration every month by employer
- ✓ More than 90% of tax returns is submitted online



Check tax declaration monthly

- ✓ **Employees** can check all taxes paid by the Estonian employer on their wages and salaries via e-MTA online (upon log in)
- ✓ Attention: taxes are declared at the moment of payment, thus for example:
- ✓ Work starts in **January**
- ✓ Payment received in **February**
- ✓ Taxes declared (for February) and to be seen since **March 10**



Basic exemption

- ✓ During a calendar year of income receipt, basic exemption can only be calculated and applied by **one** employer (the withholding agent) according to a person's **application** to the employer
- ✓ Thus, the tax-free amount may be taken into account at the moment of payment already, for Estonian **residents** only



Basic exemption

- ✓ The final **tax-free amount** is calculated according to the total annual income amount in the tax return of the natural person
- ✓ Any overpaid **income tax** amount will be refunded or any additional income tax paid according to the amount calculated in tax return



My income

Picture of e-MTA webpage: usage of tax-free amount

The screenshot shows the e-MTA webpage interface. On the left, there is a vertical navigation menu with icons and labels: CUSTOMS (truck icon), REPORTS (clipboard icon), REGISTERS ... (books icon), and ACCOUNTING (euro symbol icon). The 'My income' menu item is highlighted in yellow. Below it, the following options are listed: My employments, Entrepreneurship account, Data on social tax, Registers and inquiries funded pension, Payments of insurance premiums and interests, and Compilation of certificates. A dark grey tooltip points to the 'Registers and inquiries funded pension' option. To the right of the menu, a text box explains the functionality: 'Here you can make registrations to the Tax and Customs Board registers, and view data on your income, data on social tax and mandatory funded pension calculated and paid by employers, your information in the employment register, etc. You can also compile certificates here and make inquiries to the public registers.'



Tax return for natural person recipient

- ✓ Due date for tax return is **April 30** for previous year
any income tax payment or refund is due **October 1**
- ✓ It is possible to submit tax return online, usually by just some clicks, because it is prefilled and tax calculation done by computer software.



Basic exemption

Up to 6000 euros per calendar year (tax return)
or up to 500 euros per month at the moment of payment,
is **income tax free**.

The real amount (6000 or less) depends on
total annual income amount



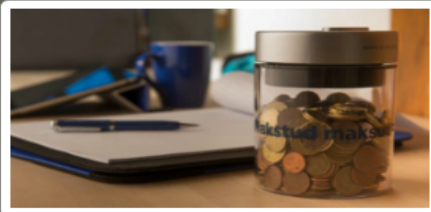
Basic exemption calculation

If the total annual income amount is

- ✓ Less than **14 400** euros, up to **6 000** euros is tax-free, but not more than real income amount
- ✓ More than **25 200** euros, **0** (no) tax-free amount is possible
- ✓ Between 14 400 and 25 500, there is a formula for calculation, reducing tax-free amount from 6000 to 0.



Declaration of income



- > Submission of income tax returns for 2019
- > Main changes in declaring the income of year 2019
- > Refund of income tax and additional income tax due
- > Tax rates
- > Tax return forms
- > Income tax information for employees

Taxable income

- > Income from employment
- > Pension and insurance indemnities
- > Business income
- > Entrepreneur Account for natural person
- > Tax exemption upon transfer of residence
- > Transfer of property
- > Income received from financial assets
- > Interest
- > Transfer of the right to cut standing crop and felled timber
- > Income from commercial or residential lease, licence fee
- > Scholarships and grants, benefits and compensations
- > Income received abroad
- > Other income
- > Envelope wages

Tax incentives

- > Tax-free income calculation
- > Important details of basic exemption calculation
- > About tax incentives
- > Housing loan interest
- > Training expenses
- > Gifts and donations
- > Sharing unused tax incentives with the spouse

To a non-resident

- > Taxation of a non-resident
- > Deductions from income taxable in Estonia
- > Refund of income tax



Tax-free income calculation



Beginning from 1 January 2018 the overall tax-free amount (basic exemption) of **up to 6000 euros per year** or **up to 500 euros per month** will be applied on all types of income and the increased basic exemption on pension and compensation for accident at work will not be applied in the future.

From 2018:

- ◆ annual income up to **14 400 euros** gives **6000 euros** as annual basic exemption
- ◆ in case annual income increases from **14 400 euros to 25 200 euros**, basic exemption decreases according to the following formula: $6000 - 6000 \div 10\,800 \times (\text{income amount} - 14\,400)$
- ◆ if annual income is **above 25 200 euros**, basic exemption is **0**.

- Salary/Wage and Tax Calculator www.kalkulaator.ee/en/salary-calculator
- Calculator "Amount of tax-free income 2020" www.kalkulaator.ee/et/maksuvaba-tulu-kalkulaator

Basic exemption: "My income"

The screenshot shows a calculator interface with a grid of input boxes containing various euro amounts. A play button is overlaid on the grid. To the right, the result is displayed as 'Annual gross income = 22 590 € / y'. Below the grid, the text 'additional income tax next year.' is visible.

2190 €	1860 €
1970 €	1680 €
2160 €	1870 €
1980 €	2100 €
2230 €	1900 €
1800 €	1850 €

Annual gross income = **22 590 € / y**

additional income tax next year.

For information on **how the amount of tax-free income is affected by several jobs, changing earned income, pensions, allowances and other income**, please read the webpage "[Important details of basic exemption calculation](#)".



Income amount consists of earned income and other revenues, service fees received on the basis of a contract for services, business income, gains from transfer of property, rental income, royalties, interest, dividends, taxable pensions, benefits, scholarships and grants, awards, compensations or other income.



Tax rates

Tax	
Income tax	20%
Social tax (employer)	33%
Unemployment insurance contribution	
Employee	1,6%
Employer	0,8%
Mandatory funded pension payment (resident) Employer withholds	2%



Calculation of taxes of non-resident employee

Gross wages **1000**

1,6% – unemployment insurance premium 16 eur

20% - income tax to be withheld: $(1000 - 16) \times 20\% = 196.80$

(amount taxable by income tax will be reduced by unemployment insurance premium)

Net wages $1000 - 16 - 196.80 = 787.20$



Calculation of taxes of resident employee

Gross wages 1000

1,6% – unemployment insurance premium = 16 eur

2% – mandatory pension premium = 20 eur

20% – income tax to be withheld:

...to be continued on next slide



Calculation of taxes of resident employee

Gross wages **1000**

20% –income tax to be withheld:

$$(1000 - 16 - 20 - 500) \times 20\% = 92.80 \text{ eur}$$

(amount taxable by income tax will be reduced by unemployment insurance Premium and II pillar pension premium)

(tax-free amount up to 500 eur in a month and up to **6000** in a year)

$$\text{Net wages } 1000 - 16 - 20 - 92.80 = \mathbf{871.20}$$



Calculation of tax costs for employer

Gross wages 1000

0,8% – unemployment insurance premium 8 eur

33% – social tax to be paid: $1000 \times 33\% = 330$ eur

Total cost for **employer** $1000 + 8 + 330 = 1338$ eur



Fringe benefit (only for employer)

Non-monetary income from employment is taxable in the hands of employer in full

Fringe benefit cost 1 000

income tax $1000 \times 20/80 = 250$

social tax $1250 \times 0,33 = 412.50$