



Tax system in Estonia

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Corporate Income Tax

Retained or reinvested profits are not taxed -> no annual CIT obligation

CIT should be paid on:

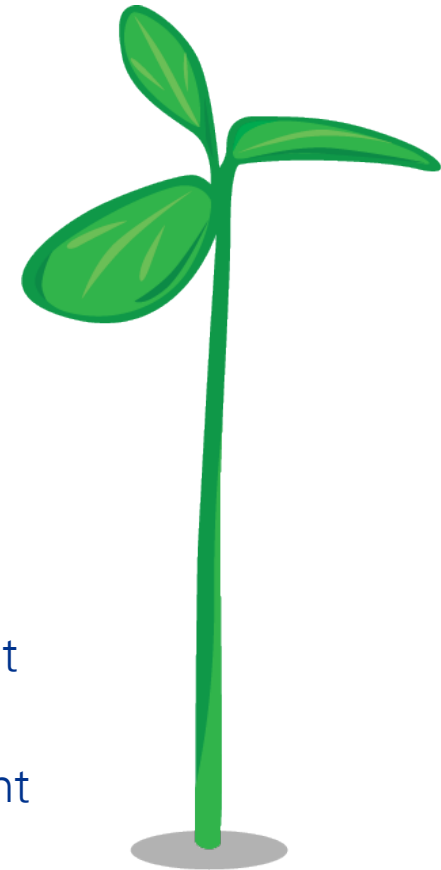
- ✓ Dividends and other profit distributions;
- ✓ Expenses and payments not related to business;
- ✓ Gifts, donations and costs of entertaining guests;
- ✓ Fringe benefits granted to employees (+ 33% social tax);
- ✓ Reduction of share capital, repurchase of shares or disbursement of liquidation proceeds exceeding the contributions previously made into the company's equity;



Dividends



- ❖ **Dividends are subject to CIT;**
- ❖ **No WHT is applied on dividends paid to corporate shareholders;**
- ❖ **The CIT rate is 20/80 on the net amount of dividends paid;**
- ❖ **CIT paid upon profit distribution is final tax and corporate shareholders do not include the dividend income in their taxable income;**
- ❖ **Redistributed dividends are generally tax exempt:**
 - 10% holding requirement in case the source is a tax resident of a EEA member state or the Swiss Confederation (or PE);
 - 10% holding requirement + WHT/distribution tax requirement in all other cases;



Dividends – latest developments

- CIT rate is 20/80 or 14/86 if dividends are based on regular basis;
- 7% WHT applies on dividends paid to individual shareholders, if 14/86 CIT rate is applicable;



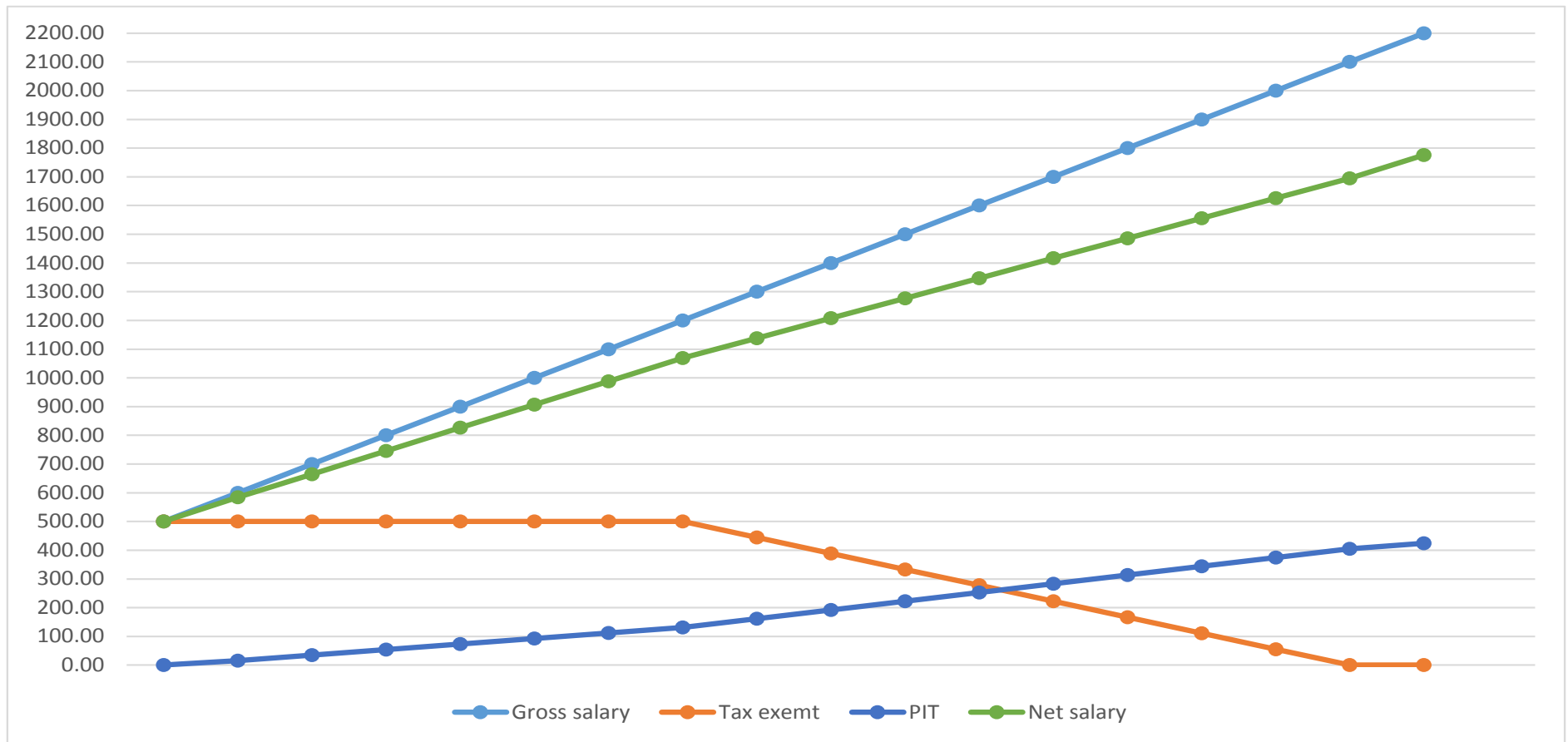
Personal Income Tax

- **Residents pay 20% income tax on their worldwide income.**
 - Basic exemption from EUR 6000 to 0, depending on the level of income;
 - Fringe benefits are generally taxed at the level of employer and are not included to the taxable income of the individual;
 - * Taxable income does not include dividends when the underlying profits have already been taxed or income tax has been withheld from the dividends;
- **Non-residents pay tax only on their income received from Estonian sources.**
 - Employment income for the work done in Estonia, board member fees, capital gain received from the transfer of immovable located in Estonia and other income related to Estonian situs real estate;



PIT - Exemptions and Deductions

As of 2018, the current system of tax exemptions shall be replaced with new progressive tax exemption:



Social Security Contributions



Social tax:

- 33% on top of gross salary

Unemployment insurance contributions

- Split between employers and employees
 - ✓ Employer's share – 0.8%
 - ✓ Employee's share – 1.6%

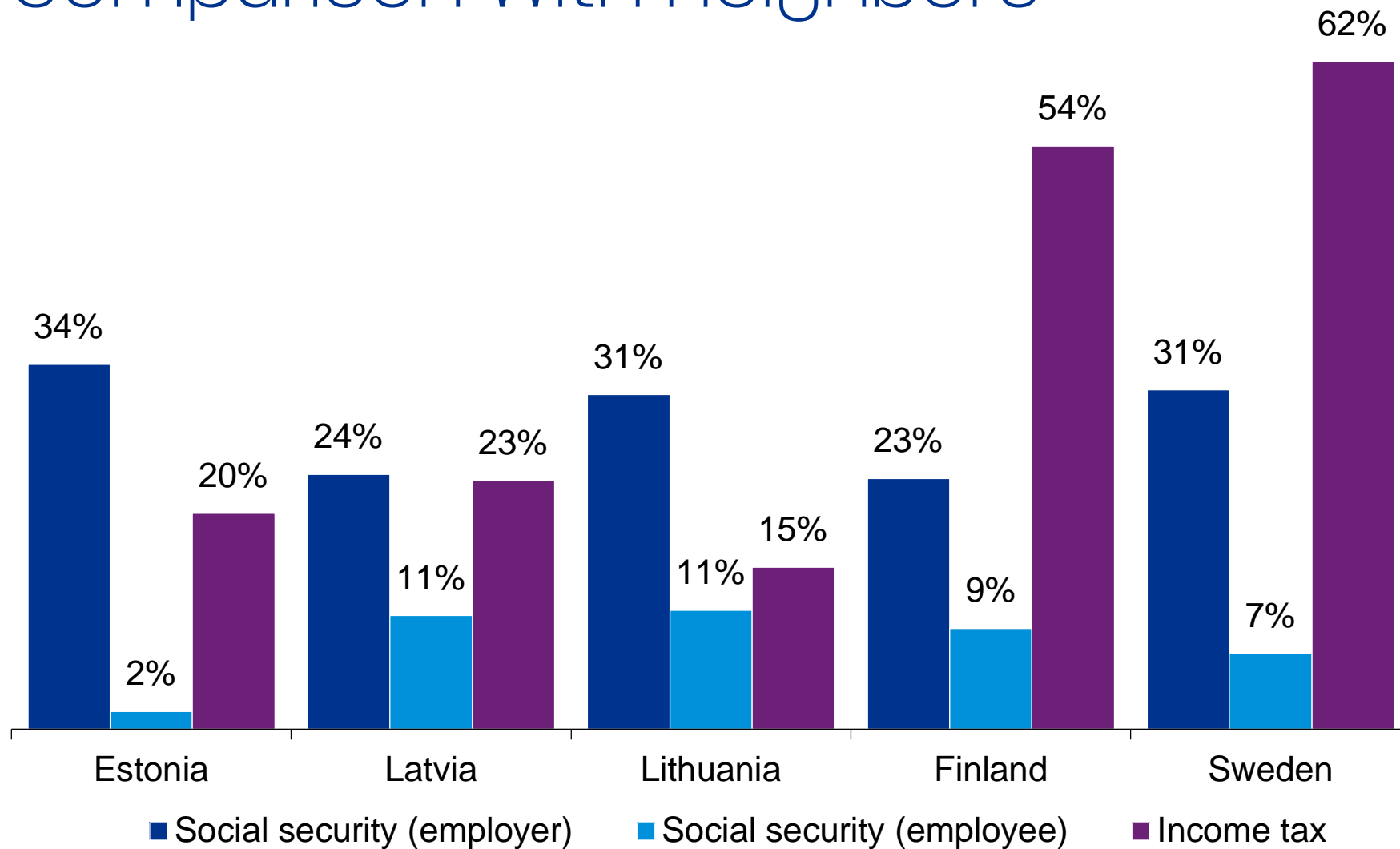
Mandatory funded pension contribution

- 2% from salary

Sample calculation

Payroll calculation	EUR
Total cost	2,676
Unemployment insurance contribution	16
Social tax	660
Gross salary	2,000
Unemployment insurance contribution	32
Mandatory funded pension contribution	40
Personal income tax	374
Net salary	1,554

Comparison with neighbors





Thank you!

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