



REPUBLIC OF ESTONIA
TAX AND CUSTOMS BOARD

Corporate income tax Estonia

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Tax residency

- ✓ Companies registered in Estonia are Estonian residents.
- ✓ It does not avoid taxation in the country where the place of management or other important activity (permanent establishment) is situated.



Tax registration

- ✓ There is no separate TIN for taxation purposes, registration code issued by the Estonian Commercial Register is enough.

Non-resident company may

- ✓ Enter a branch to the Estonian commercial register or
- ✓ Register a permanent establishment at the Tax and Customs Board (ETCB) or
- ✓ Register as a non-resident employer at the ETCB



Non-resident income taxation

- ✓ Income tax is withheld by payer upon royalties received from Estonia
- ✓ If certificate of tax residency (COR) of the beneficial owner is submitted to the payer and the data is entered into the database of the Estonian tax administration, tax exemption applies already **upon payment**



Non-resident income taxation

- ✓ **Rental income** from immovable property situated in Estonia is taxable by 20% of income tax, withheld by the payer
- ✓ **Gain from transfer of immovable property** situated in Estonia, also from transfer of shares in a company which assets contain mainly from immovable property situated in Estonia, is taxable by 20% income tax



Taxation in a foreign source country

- ✓ Estonian tax residency does not avoid taxation in the foreign country where the place of management or other important activity is provided or income is received
- ✓ Foreign country applies their domestic tax law in taxation of income derived there
- ✓ Estonia has to avoid double taxation for the Estonian resident



Tax declaration

- ✓ There is no annual tax return
- ✓ Tax return TSD is due monthly,
on the 10th day of the month following the taxable
payment.
- ✓ Annual report must be submitted to the commercial
register



Corporate income tax

- ✓ The moment of profit taxation is shifted to that of dividend distribution in Estonia.
- ✓ Idea: as long as money is kept in the company and used to generate new business, there is no income taxation in Estonia.



It covers all types of income of a resident company

The moment of corporate income taxation is shifted for

- ✓ Active income
- ✓ Passive income (dividends, interests, royalties)
- ✓ Capital gains (sale of shares, immovable property etc)

from Estonia and from foreign countries.



Distributions subject to taxation

- ✓ Dividends and other profit distributions
- ✓ Payments from share capital
- ✓ Payments upon liquidation of a legal person
- ✓ Fringe benefits
- ✓ Gifts and donations
- ✓ Expenses and payments not related to business



Tax rate

✓ Profit earned	1000,
dividend payment	800,
income tax	200

– at the moment of distribution

✓ Tax calculation example:

Dividend 800, income tax $800 \times 20/80 = 200$

No withholding tax for recipient



Tax calculation on fringe benefits

Fringe benefit 1000,

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

social tax $1250 \times 0,33 = 412.50$ (paid by employer in full)



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Täna!

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