Estonia Country Profile

EU Tax Centre

June 2018

Key tax factors for efficient cross-border business and investment involving Estonia

EU Member State

Yes

Double Tax Treaties

With:

Albania	France	Latvia	Slovenia
Armenia	Georgia	Lithuania	Spain
Austria	Germany	Luxembourg	Sweden
Azerbaijan	Greece	Macedonia	Switzerland
Bahrain	Hungary	Malta	Thailand
Belarus	Iceland	Mexico	Turkey
Belgium	India	Moldova	Turkmenistan
Bulgaria	Ireland	Netherlands	UAE
Canada	Isle of Man	Norway	UK
China	Israel	Poland	Ukraine
Croatia	Italy	Portugal	US
Czech Rep.	Jersey	Romania	Uzbekistan
Cyprus	Kazakhstan	Serbia	Vietnam
Denmark	Rep. of Korea	Singapore	
Finland	Kyrgyzstan	Slovakia	

Most important forms of doing business

Public limited company (aktsiaselts, AS),

Private limited company (osaühing, OÜ).

Legal entity capital requirements

Minimum share capital of a public limited liability company is EUR 25,000,

Minimum share capital of a private limited liability company is EUR 2,500.

Residence and tax system

A legal person is a resident if it is established pursuant to Estonian law. Resident companies are taxed on their worldwide income when distributed (not taxable as long as it is retained in the company), and non-resident companies are taxed on Estonian source business income when distributed.

Compliance requirements for CIT purposes	Form TSD (a combined tax return for CIT and payroll taxes) should be filed when profits are distributed or payments treated as profit distributions are made.
Corporate income tax rate	The standard corporate income tax rate is 20 percent.
Withholding tax rates	On dividends paid to non-resident companies No withholding tax. On interest paid to non-resident companies No withholding tax. On patent royalties and certain copyright royalties paid to non-resident companies A rate of 0 percent is applied if royalties are at arm's length and between affiliated companies established in the EU, under certain conditions. In all other cases: 10 percent (unless a DTT provides a more favourable rate). On fees for technical services No, but WHT is applicable on payments to a non-resident for services provided in Estonia (can be reduced under DTT). On other payments No withholding tax. Branch withholding taxes No withholding tax.
Holding rules	Dividend received from resident/non-resident subsidiaries Corporate income tax is not applied on redistributed dividends if the recipient is a company holding 10 percent or more of the share capital of the company distributing the dividends, and either the latter is resident in Estonia, the EEA or Switzerland, or the underlying profit has been subject to foreign tax, or the dividend received has been subject to foreign withholding tax. If the holding rules are not fulfilled, the credit method is generally applied. Capital gains obtained from resident/non-resident subsidiaries Capital gains are exempt until a distribution is made.
Tax losses	No
Tax consolidation	No

rules/Group relief rules	
Registration duties	Minimal.
Transfer duties	On the transfer of shares Minimal. On the transfer of land and buildings Minimal. Stamp duties Minimal. Real estate taxes The only property tax imposed in Estonia is a land tax.
Controlled Foreign Company rules	Yes. However, as companies are tax exempt on retained income, the income of Controlled Foreign Companies can only be attributed to resident individuals.
Transfer pricing rules	General transfer pricing rules Yes Documentation requirement Yes
Thin capitalization rules	No
General Anti-Avoidance rules (GAAR)	Yes
Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions/Anti-hybrid rules	An anti-avoidance rule on hidden profit distributions was introduced into Estonian law as of January 1, 2018. Companies resident in Estonia must pay income tax on loans issued to shareholders, if the circumstances of the transaction indicate that it might be a hidden profit distribution. Circumstances that demonstrate that the loan is a hidden profit distribution are, for example, the absence of an intention or the ability to repay the loan. This amendment applies to qualifying loans granted as of July 1, 2017.

Advance Ruling system	Yes
IP / R&D incentives	No
Other incentives	No
VAT	The standard rate is 20 percent, and the reduced rates are 9 and 0 percent.
Other relevant points of attention	No

Source: Estonian tax law and local tax administration guidelines, updated 2018.

Contact us

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