

eesticonsulting.ee

5 ★★★★★
34 ratings • 31 reviews

TAXES IN ESTONIA

Explained Simply with Examples.



Dear Client

Hello and Welcome! 🎉 Big thanks for grabbing this guide! 📖 We're **Eesti Consulting** from Estonia 🇪🇪.

Think of us as your trusty friends who know all about setting up businesses here.

We've got the licenses, the experience, and we're ready to help! ☀️

Ready to get the lowdown on Estonian taxes? We've made it super simple just for you! 😊 Let's dive in! 🚀

Best Regards,

Paweł Krok

Eesti Consulting OÜ

Web <https://eesticonsulting.ee>

@ contact@eesticonsulting.ee

Table of Content


1. Corporate Tax in Estonia - How does it work? 🏢	4
2. VAT registered or not yet? 😞	5
2.1 Voluntary VAT Registration 📄✍️	6
2.2 Key VAT Rates 📊	7
2.3 Deducting VAT 💰	7
3. Tax Residency 👤	8
3.1 Tax residency of a natural person 👤	8
3.2 Tax residency of legal person 🏢:	8
3.3 But...I'm e-Resident! 🌐	9
REGISTER A COMPANY: Today and Get Extra Features!	10
Pricing plans for e-Residents and other clients!	11
About us	12

1. Corporate Tax in Estonia - How does it work?

Estonia has a unique approach to corporate tax. Profits retained within the company aren't immediately taxed. Only when these profits are distributed as dividends, a Corporate Income Tax (CIT) is applied.

Here's a deeper look:

Regular Dividends: These get a CIT rate of 20/80.

Frequent Dividends: If dividends are distributed regularly, a lower CIT rate of 14/86 might apply. Remember: Follow specific formalities outlined in the Commercial Code (Chapter 19) to distribute dividends. 

*** Example 1: Markus's Tech Enterprise ***

Markus runs a flourishing tech enterprise in Estonia called "MarkusTech".

For the fiscal year 2022:

Retained Earnings: MarkusTech made a net profit of €100,000. Markus decided not to distribute dividends and reinvested all the profit back into the business. Since the profit wasn't distributed, no Corporate Income Tax (CIT) is applied.

Dividend Distribution: In 2023, Markus decided to distribute €50,000 as dividends to shareholders. The CIT on this distribution would be:

Regular Rate: $20/80$ on €50,000 = €12,500. So, the net dividend to shareholders would be €50,000 - €12,500 = €37,500.

Example 2: Alina's Art Gallery 🎨

Alina owns an art gallery in Tallinn named "Artistry by Alina". For the fiscal year 2022:

Retained Earnings: Alina's gallery made a net profit of €80,000. She chose to reinvest €60,000 and distribute the remaining as dividends.

Dividend Distribution: Alina distributes €20,000 as dividends in 2022. The CIT calculation would be:

Regular Rate: $20/80$ on €20,000 = €5,000. This means shareholders would receive a net amount of $€20,000 - €5,000 = €15,000$.

2. VAT registered or not yet? 🤔

When you establish a company in Estonia, you're not automatically VAT-registered 🚫. Mandatory VAT registration is when your turnover surpasses **EUR 40,000** since the start of the calendar year 🕒.

Before this, voluntary registration is possible. But consider the benefits against the responsibilities of monthly reporting and potential accounting fees 💰.

🚨 Remember: Cross the EUR 40,000 mark? You have three business days to register as VAT-liable.

2.1 Voluntary VAT Registration 📝



Considering registration before EUR 40,000? Present evidence (like a business plan) showcasing your business ambitions 🌱.

Heads up: The Estonian Tax and Customs Board might reject your VAT registration if you don't have business activities with Estonian entities 🇪🇪.



Once greenlit, your VAT number will look something like this: EE000000000.

2.2 Key VAT Rates

VAT Type	Rate	Applicability
Standard Rate	20%	Services to Estonian entities or individuals
Reduced Rate	9%	Accommodation, select books, some medical products
Zero Rate	0%	Services to EU or non-EU customers

 Tip: For B2B transactions across EU borders, use the term "reverse charge mechanism" and apply the 0% VAT rate. For B2C dealings, especially outside Estonia, things might be a tad complex .

2.3 Deducting VAT

Supplying wholly taxable services? You're allowed to reclaim VAT paid on related goods and services . If your input VAT trumps the output VAT, the surplus can be utilized for other tax dues or claimed as a refund after getting the nod from tax authorities .

3. Tax Residency 🚶

3.1 Tax residency of a natural person 🚶

To attain resident status in Estonia as a natural person, one must meet the following criteria:

- ☑ Their primary place of residence is in Estonia 🏠
- ☑ They reside in Estonia for at least 183 days within a calendar year 📅

3.2 Tax residency of legal person 🏢:

Entities become residents if they're formed per Estonian law. European public limited companies (SE) and European associations (SCE) with seats in Estonia are also residents 🇪🇺. They're taxed as mentioned in the respective legal sections.

§ 6. Resident (1)

For natural persons to qualify as residents, they should either have their place of residence in Estonia or stay in Estonia for at least 183 days over 12 consecutive calendar months.

From the day of their arrival, they are considered residents.

Additionally, Estonian diplomats serving overseas also qualify as residents. Such residents are obliged to pay income tax on all their income, irrespective of its source, be it within Estonia or outside, and regardless of the income categories stated in §§ 13-22. [RT I, 06.07.2012, 1 - entry into force 01.04.2013]

(2) Legal entities gain resident status if they're established according to Estonian law. European public limited companies (SE) and European associations (SCE) with registered seats in Estonia also qualify as residents. Such entities are taxed on the objects stated in §§ 48-52 and are required to withhold income tax on the payments mentioned in § 41.

Legal basis:

<https://www.riigiteataja.ee/en/eli/502042015008/consolide>

3.3 But....I'm e-Resident! 🌐

An e-resident is distinct from an Estonian resident. Essentially, they are a non-resident who, within Estonia, pays income tax solely on income sourced from Estonia 🇪🇺. It's vital to note that e-residency does not automatically shield one from taxation in other regions.

E-residency facilitates digital operations in Estonia 🇪🇺. This encompasses the digital signing of documents 📝, the foundation of businesses 🏢, access to internet banking 🏠, tax declarations 📄, and more. However, the tax residency of an e-resident is influenced by various aspects, such as their actual place of residence 🏠, duration of stay in a particular country 🇺🇸, and their personal ties to that state.




Interestingly, an Estonian company birthed by an e-resident is deemed a resident of Estonia 🇪🇺. Yet, if this company's commercial endeavors are executed or managed from a foreign location, the income procured in that foreign territory will be subject to taxation there 🌐. Estonia ensures the prevention of double taxation in such circumstances.



Thus, it's probable that the e-resident's Estonian firm might be taxed in another country as well. Having e-residency in Estonia doesn't inherently grant immunity from overseas tax liabilities. Moreover, it doesn't assure that taxes are exclusively Estonian.


To harness the tax incentives and reductions stemming from the double taxation avoidance agreements 📄 Estonia has concluded with other nations, a non-resident must furnish the Estonian Tax and Customs Board with a residency certificate 📄, validated by the tax authority of the respective foreign country.


REGISTER A COMPANY: Today and Get Extra Features!



 **Quick Launch** – Establish your business in Estonia in just 3 days!  Act now and get it done in a day. Fill in the form here or engage in an online chat  to learn more about company registration in Estonia.

 **Get a Bank Account** – Once you receive your corporate documents from Eesti, you can apply for a bank account. Previously priced at 100€, we now offer this service at 0€. Yes, it's free! 

 **Free Expert Advice** – Have questions about taxation or legal matters related to your new company?

 **Free Tax Residency Certificate** – Get a paper document signed and stamped by Estonian Tax Authority. (worth 100€)

 **Boost Your Startup with up to 1000€** – Register a trademark in the EU and reduce the state fee by 625€. Read more here on [Eesti Consulting website here](#)

Pricing plans for e-Residents and other clients!

I'M E-RESIDENT

234 €

+ State fee for company registration 265€

- ✓ Free company name check
- ✓ **Legal address in heart of Tallinn**
- ✓ Contact person service
- ✓ State fee not included (€265 from 1st January 21)
- ✓ **Free certificate of tax residency**
- ✓ Corporate documents – scanned copies

+++ recommended for start-ups

🚩 The free **Application for a SME FUND 2023** grant for trademark registration in EU (get up to 1000EUR of refundation, [read more here](#))

[Register through e-Residency card](#)

COMPANY BY POWER OF ATTORNEY (POA)

1200 €

+ state fee + certified translation PoA + notarial fees

- ✓ Free company name check
- ✓ Legal address in heart of Tallinn
- ✓ Contact person
- ✓ State fee not included (€265)
- ✓ Attorney fees included
- ✓ Free certificate of tax residency
- ✓ Corporate documents – scanned copies

OR

▶ Buy ready made company with VAT number, EORI and bank account [here](#).

[Register through notary public](#)

About us

Here at [Eesti Consulting](#), we offer a range of services, including company registration, accounting and general business consulting.

EESTI CONSULTING OÜ

(Registry number: 14542319 , FIU License: FIU000310)

REGISTER YOUR COMPANY IN ESTONIA TODAY!



e-Residency
marketplace
member



ESTONIAN
CHAMBER OF COMMERCE
AND INDUSTRY



REPUBLIC OF ESTONIA
E-RESIDENCY

EESTI CONSULTING OÜ is a member of the [Estonian Chamber of Commerce & Industry](#), and we are highly recommended within the [e-Residency marketplace](#). (Click on the link and see reviews from our customers)

eesticonsulting.ee

5 ★★★★★

34 ratings • 31 reviews

Thank you
