

# EXPATRIATES

## Country Tax Facts for International Assignees

### INCOME TAX: WHO IS LIABLE

Estonian residents pay tax on their worldwide income. Generally, the income tax return needs to be submitted even if the person resides outside of Estonia.

A resident natural person is required to submit an income tax return to the Tax and Customs Board concerning the income of a period of taxation not later than by 31 March of the year following the period of taxation.

The Tax and Customs Board shall calculate any additional amount of tax due and issue a written tax notice the taxpayer. A taxpayer is required to pay any additional amount due which is specified in the tax notice into the bank account of the Tax and Customs Board not later than by 1 July of the calendar year following the period of taxation.

If a resident taxpayer has derived income from abroad during a period of taxation, all income derived from abroad is included in the taxable income of the person and income tax paid or withheld on such income abroad is deducted from the income tax to be paid (credit method). If the income tax calculated in accordance with the Income Tax Act on income derived in a foreign state exceeds the amount of income tax paid in the foreign state, the taxpayer is required to pay the difference between the foreign income tax and Estonian income tax as income tax to be paid in Estonia.

Income tax is not charged on compensation for expenses related to business travel and daily allowances during assignments to abroad paid to an employee within the limits in force in the place where the work is performed if the work is performed in a foreign state.

Whether an individual will remain resident in their home country when working abroad will depend on a number of factors.

### BREAKING RESIDENCY - EXIT PROCEDURES

A resident natural person who has reason to presume that his or her status as an Estonian resident will change as he or she leaves Estonia, shall apply to the tax authority with his or her application on Form R for changing his or her residency for tax purposes in the register of taxable persons.

In order to be released from Estonian citizenship, the applicant must submit an application to which he or she annexes documents showing facts which bear relevance to taking the decision on releasing the applicant from Estonian citizenship.

### INCOME TAX RATES - SOCIAL SECURITY CONTRIBUTIONS

#### Income Tax Rates in 2016

Personal income tax rate is 20%.

#### Social Tax Rates in 2016

Social tax is paid by employer in full and a general rate is 33% (20% for social security and 13% for health insurance) of the gross payment.

If the person is assigned to a business trip within EU then the EU social security rules must be applied. EU national working temporarily in another EU member state can still remain covered by the social security system of the home country (usually for up to 2 years). The person must obtain A1 certificate.