

INPATRIATES

Country Tax Facts for International Assignees

INCOME TAX: WHO IS LIABLE/RESIDENCY

Non-residents have a limited tax liability in Estonia; their taxable income consists only of income from Estonian sources.

A non-resident taxpayer with no permanent establishment in Estonia shall pay income tax only on the following profit received from a source of revenue located in Estonia:

- income derived from work or from the provision of services;
- remuneration paid to a non-resident member of a management or controlling body;
- business income;
- gains derived from a transfer of property (limited);
- income derived from a commercial lease or royalties;
- interest (limited);
- pensions, scholarships and grants, cultural, sports and scientific awards, benefits, gambling winnings and benefits paid on the basis of the Parental Benefit Act, insurance indemnities, payments made to a non-resident from Estonian pension funds;
- remuneration paid to a non-resident artist, sportsperson in connection with his or her performance or competition in Estonia.

Generally, non-residents cannot claim the same deductions and allowances as available to residents. Therefore, income tax shall be withheld from the gross amount.

An withholding agent (e.g employer) is required to withhold income tax upon the making of a payment.

The income tax is withheld by the paying entity at a rate of **20%** or at a lower rate of **10%** for some types of income monthly.

The income tax has to be withheld on all taxable payments made and declared (on form TSD with annex 2) and transferred to the Estonian Tax and Customs Board by the 10th of every month, following the month of payment.

As the taxation of non-residents is generally performed by withholding income tax, a non-resident is required to submit an income tax return (form A1) only in specific cases, e.g transfer of property. The income tax return shall be submitted by 31 of the following year. If a non-resident transfers an immovable, the tax return must be submitted within one month following the date of receiving the gain.

Resident and non-resident concept and taxation

A natural person is a resident if one of the following conditions is met:

- his or her place of residence is in Estonia;
- he or she stays in Estonia for at least 183 days over the course of a period of 12 consecutive calendar months. A person shall be deemed to be a resident as of the date of his or her arrival in Estonia;

If these are not met, a natural person is a non-resident.



INCOME TAX RATES - SOCIAL SECURITY CONTRIBUTIONS

Income Tax Rates in 2016

Tax Rate	Comment
20%	Generally income tax is withheld at a rate of 20%
10%	Income tax is withheld at a rate of 10% from: <ul style="list-style-type: none">• royalties paid to a non-resident;• payments made to a non-resident artist, sportsman or sportswoman for activities conducted in Estonia, and payments made to a third person who is a non-resident or a natural person for activities conducted in Estonia by an artist, a sportsman or a sportswoman;• payments to a non-resident for services provided in Estonia;• supplementary funded pension specified in § 21 of the Estonian Income Tax Act.

** If an international agreement (for example, tax treaty) prescribes lower rates for withholding income tax from a payment made to a non-resident than the rates specified in the Estonian income Tax Act, the rates prescribed by the international agreement are applied.*

Social Tax Rates in 2016

The social tax is paid at a rate of 33% on all payments made to employees for salaried work performed.

Employers (including non-resident employers) pay the social tax in full.

Pursuant to the Estonian Social Tax Act, social tax shall be paid on wages and other remuneration paid to employees, on remuneration paid to members of management and controlling bodies of legal persons, on fringe benefits and on income tax calculated on fringe benefits.

A minimum obligation for social tax to be paid in 2016 is **128,70 EUR** monthly (per employee), even if there were no payments for salaried work. There is no „taxable maximum“ applied in Estonia.

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.

Registration/Formalities

A non-resident employer having an employee (resident or non-resident) in Estonia has to register as a non-resident employer in Estonia. For registration an application on form R2 needs to be submitted.

All the natural and legal persons providing the work are required to register the persons employed by them in the employment register. For that, a non-resident employee needs to obtain the Estonian personal identification code.

Non-residents can apply for a personal identification code

- with the closest Estonian county government upon going there in person;
- persons who do not have the possibility to apply for the personal identification code in Estonia, e.g. are coming to work in Estonia with a visa, can submit the application with the foreign mission of Estonia in a foreign state.

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