Core principles of Estonian corporate tax system (2/20/17)

The Latvian Cabinet of Ministers' decision of 9 May 2017 to support the draft national tax policies for 2018–2021 has made it clear that the next six months will see significant changes to the Latvian tax system. Confirming the intention announced earlier to move the Latvian corporate income tax (CIT) regime closer to the Estonian model, the proposed policy solutions provide for reforming the CIT system from 1 January 2018 to charge a 0% tax on reinvested profits and a 20% tax on gross profits at the time of distribution. With the proposals still at a developmental stage, this article explores the Estonian model to discover how the so-called 20/80 tax rate principle works.