

Estonian tax bases and rates in 2018 (2/14/18)

Comparing Latvia's experience in various areas with Estonia's performance is as usual as receiving MindLink Flash News in your inbox each week. In this article we have put together information about Estonian tax bases and rates applicable in 2018 – for a better understanding and informed conclusions about the Estonian tax burden and especially its administrative burden. For example, Estonia is doing fairly well with a single daily allowance for business trips to any country, while Latvian legislation prescribes different daily rates for 77 countries.

Value added tax	
Threshold for VAT registration (calendar year)	EUR 40,000
Income tax*	
<i>Unlike Latvia, where personal income tax and corporate income tax are governed by two separate pieces of legislation, Estonian law provides for a single income tax system.</i>	
Flat-rate income tax on taxable income of individuals or non-residents	20%
Advance income tax payable quarterly by credit institutions	14%
Reduced rate of corporate tax on regularly distributed profits*	
<i>2018 will be the first year to consider in calculating the average taxed distributed profit of three years. A reduced rate of 14% will apply –</i>	
<i>1. in 2019 to one third of profit distributed in 2018 taxable at resident entity level;</i>	
<i>2. in 2020 to one third of profits distributed in 2018 and 2019 taxable at resident entity level.</i>	
Income tax on dividend payments to individuals, and to a resident entity subject to a reduced rate of corporate tax at the time of distributing profits	7%
Reduced rate of income tax on payments from third-pillar pensions, royalties and service fees to non-residents	10%
Standard rate of income tax on taxable payments of entities (dividends, gifts etc)	20/80
Monthly exempt personal allowance for resident individuals	EUR 500 ... 0 calculated using the formula: $500 - 500 / 900 \times (\text{income} - 1,200)$
Annual exempt personal allowance for resident individuals	EUR 6,000 ... 0 6,000 for annual income of up to EUR 14,400 according to the following formula for annual income exceeding EUR 14,400: $6,000 - 6,000 / 10,800 \times (\text{income} - 14,400)$ 0 for annual income exceeding EUR 25,200
Extra annual exempt allowance for a qualifying spouse	EUR 1,848
Exempt one-off birth allowance the employer pays to employees	EUR 2,160
Combined annual deduction for housing loan interest, education expenses and charitable donations per individual	EUR 2,500
Exempt limit of third-pillar contributions	EUR 1,200 incl. EUR 300 on housing loan interest, capped at 50% of income
Extra allowance for self-employed on income from sale of agricultural products or timber	EUR 6,000 capped at 15% of income
Social tax	
Social tax rate	33%
Monthly base for social tax contributions	EUR 470
Minimum monthly employer's social tax liability	EUR 155.10
Self-employed individual's minimum quarterly social tax liability	EUR 465.30
Self-employed individual's minimum annual social tax liability	EUR 1,861.20
Self-employed individual's maximum annual social tax liability	EUR 19,800
Social security contributions	
Employer's unemployment insurance contributions	0.8%
Employee's unemployment insurance contributions (to be withheld)	1.6%
Funded pension contributions	2%
Funded pension contributions (from 2014 to 2017 if an application was filed)	-
Salary	
Minimum monthly salary for full-time work	EUR 500
Minimum hourly pay	EUR 2.97

Reimbursements and fringe benefits	
Exempt daily allowance on foreign business trips (up to 15 days a month)	EUR 50
Exempt daily allowance for self-employed on foreign business trips (up to 15 days a month)	EUR 50 (documented expenses)
Exempt compensation for using a private vehicle for business purposes (with a travel diary)	EUR 0.30/km, capped at EUR 335 per month
Fringe benefit cost of using an employer car	EUR 1.96/kW per month, or for a car more than 5 years old capped at EUR 1.47/kW per month
Combined income tax and social tax liability on using an employer car (without a travel diary)	EUR 1.3/kW per month, or for a car more than 5 years old, capped at EUR 0.98/kW per month
Annual minimum interest rate on loans to employees	0%