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Income Tax Act[1]

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RT I 1999, 101, 903
Entry into force 01.01.2000

Amended by the following acts

Passed	Published	Entry into force
14.06.2000	RT I 2000, 58, 377	01.01.2000
14.06.2000	RT I 2000, 55, 359	01.01.2001
06.12.2000	RT I 2000, 102, 667	01.01.2001
13.12.2000	RT I 2000, 102, 675	01.01.2001
consolidated text on paper RT	RT I 2001, 11, 49	
17.01.2001	RT I 2001, 16, 69	01.03.2001
09.05.2001	RT I 2001, 50, 283	01.01.2002
13.06.2001	RT I 2001, 59, 359	01.01.2002
12.09.2001	RT I 2001, 79, 480	01.10.2001, in part 01.01.2002
24.10.2001	RT I 2001, 91, 544	01.01.2002, in part 01.01.2003
20.02.2002	RT I 2002, 23, 131	01.03.2002
25.04.2002	RT I 2002, 41, 253	18.05.2002
15.05.2002	RT I 2002, 44, 284	01.07.2002, in part 07.06.2002
15.05.2002	RT I 2002, 47, 297	01.01.2003, in part 01.01.2004
19.06.2002	RT I 2002, 62, 377	01.10.2002
11.12.2002	RT I 2002, 111, 662	01.01.2003
29.01.2003	RT I 2003, 18, 105	01.03.2003, amendment provided in subsection 4 of § 25 applied retroactively as of 01.01.2003
07.08.2003	RT I 2003, 58, 387	01.09.2003
10.12.2003	RT I 2003, 82, 549	01.01.2004
17.12.2003	RT I 2003, 88, 587	01.01.2004, in part 01.05.2004, 01.01.2005, 01.01.2006 and 01.01.2007
17.12.2003	RT I 2003, 88, 591	01.01.2004
14.04.2004	RT I 2004, 36, 251	01.05.2004
14.04.2004	RT I 2004, 37, 252	01.05.2004
20.05.2004	RT I 2004, 45, 319	27.05.2004 (amendment applied retroactively as of 01.05.2004); entry into force in part also 01.01.2005, 01.01.2006 and 01.01.2007; subsection 8 of § 45, § 57² and subsection 24 of § 61 enter into force by a separate Act and these provisions apply to interest paid as of same date.
consolidated text on paper RT	RT I 2004, 59, 414	
18.11.2004	RT I 2004, 84, 568	01.01.2005
08.12.2004	RT I 2004, 89, 604	01.01.2005 and 01.01.2006
06.04.2005	RT I 2005, 22, 148	01.01.2006

20.04.2005	RT I 2005, 25, 193	01.07.2005 (part of amendments applied retroactively as of 01.05.2004 and 01.01.2005)
20.06.2005	RT I 2005, 36, 277	01.07.2005 and 01.01.2006
28.09.2005	RT I 2005, 54, 430	01.01.2006
12.10.2005	RT I 2005, 57, 451	18.11.2005
26.01.2006	RT I 2006, 7, 40	04.02.2006
26.01.2006	RT I 2006, 7, 41	13.02.2006
10.05.2006	RT I 2006, 26, 193	01.01.2007
31.05.2006	RT I 2006, 28, 208	01.07.2006, in part 01.01.2007 and applied in part retroactively as of 01.01.2006
07.06.2006	RT I 2006, 30, 232	01.01.2007
15.11.2006	RT I 2006, 55, 406	01.01.2007
21.12.2006	RT I 2006, 63, 468	01.01.2007
21.12.2006	RT I 2007, 4, 19	01.09.2007
14.02.2007	RT I 2007, 24, 126	01.07.2007
21.02.2007	RT I 2007, 25, 130	01.01.2008
14.06.2007	RT I 2007, 44, 316	14.07.2007
14.06.2007	RT I 2007, 44, 318	01.01.2008
26.03.2008	RT I 2008, 17, 119	01.01.2009
19.06.2008	RT I 2008, 34, 208	01.09.2008
23.10.2008	RT I 2008, 48, 269	14.11.2008
19.11.2008	RT I 2008, 51, 283	01.01.2009, in part 01.01.2010
20.11.2008	RT I 2008, 51, 286	01.01.2009
04.12.2008	RT I 2008, 58, 323	01.01.2009
04.12.2008	RT I 2008, 58, 324	01.01.2009
17.12.2008	RT I 2008, 58, 329	01.01.2010
11.12.2008	RT I 2008, 60, 331	01.01.2009
18.12.2008	RT I 2009, 3, 15	01.02.2009
20.02.2009	RT I 2009, 15, 93	01.04.2009, in part 01.07.2009 and 01.01.2010
26.02.2009	RT I 2009, 18, 109	28.03.2009, in part 01.07.2009
22.04.2009	RT I 2009, 24, 146	01.06.2009
29.10.2009	RT I 2009, 54, 362	01.01.2010, in part 01.12.2009 (amendments applied retroactively as of 01.08.2009)
26.11.2009	RT I 2009, 59, 391	01.01.2010
18.11.2009	RT I 2009, 60, 395	01.07.2010
26.11.2009	RT I 2009, 62, 405	01.01.2010
16.12.2009	RT I 2010, 1, 2	01.01.2012 enters into force on the day on which the mandate of the XII composition of the Riigikogu commences, date of entry into force changed 01.01.2012; date of entry into force changed in part 01.01.2013 [RT I, 28.12.2011, 1]; date of entry into force changed 01.01.2014 [RT I, 29.12.2012, 1]
22.04.2010	RT I 2010, 22, 108	01.01.2011 enters into force on the date which has been determined in the Decision of the Council of the European Union regarding the abrogation of the derogation established in respect of the Republic of Estonia on the basis provided in Article 140(2) of the Treaty on the Functioning of the European Union, Council Decision 2010/416/EU of 13 July 2010 (OJ L 196, 28.7.2010, p. 24–26).
03.06.2010	RT I 2010, 34, 181	01.01.2011, in part 01.07.2010 and 01.01.2024
17.06.2010	RT I 2010, 44, 262	01.09.2010
20.10.2010	RT I, 18.11.2010, 1	01.01.2011, in part 01.01.2012

08.12.2010	RT I, 28.12.2010, 6	01.01.2012
26.01.2011	RT I, 18.02.2011, 1	01.01.2012, in part 28.02.2011 and 01.08.2011
09.02.2011	RT I, 04.03.2011, 1	01.04.2011
23.02.2011	RT I, 25.03.2011, 1	01.01.2014; date of entry into force changed 01.07.2014 [RT I, 22.12.2013, 1]
16.06.2011	RT I, 08.07.2011, 5	01.01.2012
23.11.2011	RT I, 13.12.2011, 1	01.01.2012
07.12.2011	RT I, 28.12.2011, 1	01.01.2012, in part on the tenth day after publication in the Riigi Teataja.
07.03.2012	RT I, 29.03.2012, 1	30.03.2012, in part 01.01.2013
13.06.2012	RT I, 06.07.2012, 1	01.04.2013
13.06.2012	RT I, 10.07.2012, 2	01.04.2013, in part 20.07.2012
10.10.2012	RT I, 25.10.2012, 1	01.12.2012
07.12.2012	RT I, 22.12.2012, 1	01.01.2013, in part 01.01.2014 and 01.01.2015
12.12.2012	RT I, 29.12.2012, 1	01.01.2013, in part 01.04.2013 and 01.07.2013
23.01.2013	RT I, 14.02.2013, 1	01.01.2014
28.02.2013	RT I, 20.03.2013, 1	01.04.2013
15.05.2013	RT I, 01.06.2013, 1	01.07.2013
12.06.2013	RT I, 02.07.2013, 1	01.09.2013, in part 01.01.2014; date of entry into force changed in part 01.07.2014 [RT I, 22.12.2013, 1]
05.12.2013	RT I, 22.12.2013, 1	01.01.2014
11.12.2013	RT I, 23.12.2013, 1	01.01.2014, in part 01.01.2015 and 01.01.2020
05.12.2013	RT I, 23.12.2013, 3	01.01.2014, in part 01.01.2015
27.02.2014	RT I, 21.03.2014, 3	31.03.2014, in part 01.04.2014 and 01.01.2015
19.06.2014	RT I, 03.07.2014, 19	01.09.2014
30.06.2014	RT I, 11.07.2014, 2	21.07.2014, in part 01.01.2015
01.07.2014	RT I, 11.07.2014, 5	01.01.2015, in part 01.08.2014
19.06.2014	RT I, 29.06.2014, 109	01.07.2014, the titles of ministers replaced on the basis of subsection 4 of § 107^3 of the Government of the Republic Act.
05.11.2014	RT I, 20.11.2014, 1	01.05.2015
19.11.2014	RT I, 13.12.2014, 1	01.01.2016 - date of entry into force changed to 01.07.2016 [RT I, 17.12.2015, 1]
02.12.2014	RT I, 23.12.2014, 1	01.01.2015
18.12.2014	RT I, 23.12.2014, 15	01.01.2015
18.02.2015	RT I, 19.03.2015, 2	29.03.2015
18.02.2015	RT I, 23.03.2015, 3	01.07.2015
18.02.2015	RT I, 23.03.2015, 5	01.07.2015
15.06.2015	RT I, 30.06.2015, 1	01.01.2016, in part 01.01.2017 and 01.01.2018
15.06.2015	RT I, 30.06.2015, 2	01.01.2016
10.06.2015	RT I, 07.07.2015, 1	01.01.2016
25.11.2015	RT I, 17.12.2015, 1	20.12.2015, in part 01.01.2016 and 01.07.2016
25.11.2015	RT I, 17.12.2015, 2	01.01.2016
20.04.2016	RT I, 04.05.2016, 2	01.11.2016, in part 01.01.2017
15.06.2016	RT I, 08.07.2016, 1	01.01.2017
23.11.2016	RT I, 07.12.2016, 1	17.12.2016
19.12.2016	RT I, 24.12.2016, 1	01.01.2017, in part 01.01.2018
14.12.2016	RT I, 31.12.2016, 3	10.01.2017

20.04.2017	RT I, 05.05.2017, 1	01.07.2017
07.06.2017	RT I, 26.06.2017, 1	06.07.2017, in part 01.09.2018
14.06.2017	RT I, 04.07.2017, 3	01.01.2018
19.06.2017	RT I, 07.07.2017, 3	01.08.2017, in part 01.01.2018
19.06.2017	RT I, 07.07.2017, 2	01.01.2018
26.10.2017	RT I, 17.11.2017, 3	23.02.2018 - date of entry into force changed: enters into force on the date of implementation of Directive (EU) 2016/97 of the European Parliament and of the Council on insurance distribution (recast) (OJ L 26, 2.2.2016, p. 19–59) [RT I, 30.12.2017, 3] – Directive (EU) 2018/411 of the European Parliament and of the Council of 14 March 2018 amending Directive (EU) 2016/97 as regards the date of application of Member States' transposition measures (OJ L 76, 19.3.2018, p. 28–29) – 01.10.2018
06.12.2017	RT I, 28.12.2017, 1	01.01.2018
13.12.2017	RT I, 28.12.2017, 73	01.01.2018
13.12.2017	RT I, 28.12.2017, 74	01.01.2018, in part 01.01.2019 and 01.01.2020; amended in part [RT I, 23.10.2018, 1]
13.12.2017	RT I, 30.12.2017, 3	03.01.2018
10.01.2018	RT I, 22.01.2018, 1	01.02.2018
17.01.2018	RT I, 30.01.2018, 1	01.01.2019
11.04.2018	RT I, 20.04.2018, 4	01.05.2018
06.06.2018	RT I, 29.06.2018, 1	01.07.2018
16.10.2018	RT I, 23.10.2018, 1	30.10.2018
21.11.2018	RT I, 06.12.2018, 2	16.12.2018, in part 01.01.2020
21.11.2018	RT I, 07.12.2018, 1	17.12.2018, in part 01.01.2019 and 01.01.2020
12.12.2018	RT I, 28.12.2018, 44	01.01.2019 (applied in part retroactively as of 01.01.2018); enters into force in part 01.06.2019 and 01.01.2020; amended in part [RT I, 23.12.2019, 2]
30.01.2019	RT I, 20.02.2019, 1	01.07.2019
13.02.2019	RT I, 04.03.2019, 1	01.07.2020 - enters into force on 1 January of the year following the year when the European Commission makes the decision specified in Article 4(3) or Article 9(3) of Council Regulation (EU) 2015/1589 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union (OJ L 248, 24.9.2015, p. 9–29). If the European Commission makes the decision after 1 October of a calendar year, enters into force on 1 January of the second year after the year when the European Commission makes the decision; amended in part (clause 8 of § 2 enters into force on 01.01.2020, applied retroactively as of 01.01.2019) [RT I, 23.12.2019, 2]; date of entry into force changed in part [RT I, 28.02.2020, 2]
20.02.2019	RT I, 19.03.2019, 13	01.05.2019
11.12.2019	RT I, 23.12.2019, 2	01.01.2020, in part 01.01.2021 and 01.01.2022; applied in part retroactively as of 01.01.2018
17.02.2020	RT I, 28.02.2020, 1	01.03.2020

18.02.2020	RT I, 28.02.2020, 2	01.07.2020
15.04.2020	RT I, 21.04.2020, 1	22.04.2020, in part 01.05.2020; applied in part retroactively as of 1 January 2020
03.06.2020	RT I, 16.06.2020, 1	01.08.2020
17.06.2020	RT I, 10.07.2020, 4	01.01.2021
17.06.2020	RT I, 10.07.2020, 5	20.07.2020
11.03.2020	RT I, 27.10.2020, 1	01.01.2021
15.12.2020	RT I, 28.12.2020, 1	02.01.2021
17.03.2021	RT I, 26.03.2021, 1	05.04.2021, in part 01.07.2021 and 01.01.2022
08.12.2021	RT I, 22.12.2021, 4	01.01.2022
08.12.2021	RT I, 22.12.2021, 5	01.01.2023, in part 01.01.2022; applied in part retroactively as of 1 January 2021
16.02.2022	RT I, 10.03.2022, 1	21.03.2022
23.02.2022	RT I, 10.03.2022, 2	01.01.2024
23.03.2022	RT I, 05.04.2022, 1	06.04.2022
11.05.2022	RT I, 27.05.2022, 2	01.07.2022
08.06.2022	RT I, 20.06.2022, 63	27.06.2022
23.11.2022	RT I, 16.12.2022, 5	01.01.2023, applied in part retroactively as of 1 January 2022
07.12.2022	RT I, 22.12.2022, 3	23.12.2022, in part 01.01.2024; amended in part [RT I, 06.07.2023, 5]
11.01.2023	RT I, 27.01.2023, 1	01.04.2023
08.02.2023	RT I, 01.03.2023, 2	01.07.2024
15.02.2023	RT I, 07.03.2023, 7	01.04.2023
15.02.2023	RT I, 07.03.2023, 5	01.01.2024
15.02.2023	RT I, 07.03.2023, 21	17.03.2023, applied retroactively as of 1 January 2022
22.02.2023	RT I, 11.03.2023, 9	01.04.2023
22.02.2023	RT I, 17.03.2023, 5	27.03.2023
20.06.2023	RT I, 30.06.2023, 1	01.07.2023
20.06.2023	RT I, 30.06.2023, 107	01.01.2024, in part 01.07.2023 and applied retroactively as of 01.01.2023 and 01.01.2025; entry into force changed in part [RT I, 20.12.2024, 2]
20.06.2023	RT I, 06.07.2023, 5	01.01.2024
20.06.2023	RT I, 06.07.2023, 6	01.01.2024
08.11.2023	RT I, 21.11.2023, 2	01.12.2023
10.04.2024	RT I, 17.04.2024, 2	27.04.2024
10.04.2024	RT I, 02.05.2024, 1	12.05.2024
16.04.2024	RT I, 02.05.2024, 3	15.05.2024
04.06.2024	RT I, 19.06.2024, 1	01.01.2025
29.07.2024	RT I, 14.08.2024, 1	01.01.2025, in part 01.01.2026 and 01.01.2027
10.09.2024	RT I, 27.09.2024, 1	01.01.2025
13.11.2024	RT I, 03.12.2024, 1	13.12.2024, in part 01.01.2025; applied in part retroactively as of 1 January 2024 and in part as of 1 October 2024.
13.11.2024	RT I, 03.12.2024, 3	13.12.2024
04.12.2024	RT I, 20.12.2024, 2	30.12.2024, in part 01.01.2025

Chapter 1

GENERAL PROVISIONS

§ 1. Object of tax

(1) Income tax is charged on the income of a taxpayer from which the deductions permitted by law have been made.

(2) The income tax provided in § 48 is charged on fringe benefits granted to a natural person.

(3) The income tax provided in §§ 49–52 and 54^{1} and 54^{5} is charged on profit of a resident legal person and of a profit-making state agency upon distribution thereof, irrespective of the manner and form of distribution of profit, on gifts and donations made, on costs of entertaining guests incurred, on expenses and payments, which are not related to business and to the objectives specified in the articles of association, as well as on assets to be moved out to a permanent establishment.
[RT I, 28.12.2018, 44 – entry into force 01.01.2020]

(3^{1}) On the conditions provided in § 52^{1}, income tax is charged on income derived by a resident company from international carriage of goods or passengers by sea.
[RT I, 04.03.2019, 1 – entry into force 01.07.2020, date of entry into force changed [RT I, 28.02.2020, 2]]

(4) The income tax provided in § 53 is charged on profit attributed to a non-resident legal person's permanent establishment located in Estonia upon moving profit out, irrespective of the manner and form of moving profit out, on special benefits, on gifts and donations made and on costs of entertaining guests incurred through or on the account of the permanent establishment of the non-resident, and on expenses and payments not related to business. Transfer of economic activities of a permanent establishment of a non-resident legal person to another state is also treated as moving profit out.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

(5) The income received in a business account is subject to taxation in accordance with the Simplified Business Income Taxation Act.
[RT I, 07.07.2017, 2 – entry into force 01.01.2018]

(6) On the conditions provided in subsection 7 of § 53 and in § 54^{2}, income tax is charged on the exceeding borrowing costs incurred through or on the account of a non-resident company's permanent establishment located in Estonia or by a resident company, except for a financial undertaking.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

(7) On the conditions provided in subsection 8 of § 53 and in § 54^{3}, income tax is charged on the profit of a controlled foreign company of a non-resident company's permanent establishment located in Estonia or of a resident company.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

(8) On the conditions provided in subsection 9 of § 53 and in §§ 54^{7} and 54^{8}, income tax is charged on the amount that gave rise to a mismatch in tax outcomes of a resident company or of a non-resident company's permanent establishment located in Estonia.
[RT I, 23.12.2019, 2 – entry into force 01.01.2022]

§ 2. Taxpayer

(1) The income tax specified in subsection 1 of § 1 is paid by a natural person, a common investment fund, a public limited fund and a non-resident legal person who derive taxable income. A common investment fund is a common fund established in Estonia or in a foreign state for the purposes of § 4 of the Investment Funds Act. A public limited fund is a fund founded as a public limited company for the purposes of § 6 of the Investment Funds Act.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(2) The income tax specified in subsection 2 of § 1 is paid by an employer who is a natural person and by a resident legal person, a non-resident having a permanent establishment in Estonia, a non-resident operating as an employer in Estonia, and an Estonian state authority and an Estonian local authority who grant taxable fringe benefits.
[RT I, 14.02.2013, 1 – entry into force 01.01.2014]

(3) The income tax specified in subsections 3, 3^{1} and 6–8 of § 1 is paid by a resident legal person. The provisions of this Act concerning a resident company also apply to a profit-making state agency.
[RT I, 04.03.2019, 1 – entry into force 01.07.2020; amended in part [RT I, 23.12.2019, 2]; date of entry into force changed [RT I, 28.02.2020, 2]]

(4) The income tax specified in subsections 4 and 6–8 of § 1 is paid by a non-resident legal person who has a permanent establishment in Estonia (§ 7).

[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(5) Income tax is not paid by a limited partnership fund for the purposes of § 8 of the Investment Funds Act, except in the event of the income specified in § 54[8].
[RT I, 23.12.2019, 2 – entry into force 01.01.2022]

§ 3. Tax period

(1) The tax period for the income tax specified in subsection 1 of § 1 is a calendar year unless otherwise provided in this Act.
[RT I, 14.02.2013, 1 – entry into force 01.01.2014]

(2) The tax period for the income tax specified in subsections 2–4 of § 1 is a calendar month.

(3) The tax period for the income tax specified in subsections 6 and 8 of § 1 is a financial year.
[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(4) The tax period for the income tax specified in subsection 7 of § 1 is the financial year of a controlled foreign company of a non-resident company's permanent establishment located in Estonia or of a resident company.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

§ 4. Tax rates

(1) Except in the events specified in subsections 2 and 5 and in subsection 4 of § 43, the rate of income tax is 22%.
[RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(1[1]) In the event of the object of tax specified in subsections 2, 3, 4 and 6–8 of § 1, the taxable amount is divided by the number of 0.78 before it is multiplied by the tax rate, except in the event specified in subsection 5 of this section.
[RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(2) In the event of the income specified in subsection 4 of § 20[1]and subsections 2, 3 and 3[2]of § 21, the rate of income tax is 10%.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(3) [Repealed – RT I 2003, 88, 587 – entry into force 01.01.2005]

(4) [Repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(5) In the event specified in § 47[1], the rate of income tax is 18%.
[RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(6) In the events specified in subsections 5 and 6 of § 13, the rate of income tax is 0%.
[RT I, 28.02.2020, 2 – entry into force 01.07.2020]

§ 5. Receipt of tax

(1) Income tax paid by resident natural persons, without taking into account the deductions provided in Chapter 4, is received in the budget of the municipality of the taxpayer's place of residence as follows:
1) 5.5% of the state pension of the resident natural person;
[RT I, 14.08.2024, 1 – entry into force 01.01.2025]
2) 11.29% of the other taxable income of the resident natural person, except for mandatory and supplementary funded pension and gains derived from the transfer of property.
[RT I, 14.08.2024, 1 – entry into force 01.01.2025]

(1[1]) [Repealed – RT I, 14.02.2013, 1 – entry into force 01.01.2014]

(2) The place of residence of a resident natural person in a calendar year is deemed to be the place of residence entered in the register of taxable persons maintained by the Tax and Customs Board as at 1 January of the same calendar year. If the Tax and Customs Board has no information about the place of residence of a resident natural person, the income tax paid by the person is divided between the municipalities in proportion to their rated percentage in accordance with the principle provided in subsection 1. Income tax is transferred to municipalities and their rated percentage is calculated in accordance with the rules established by a regulation of the minister in charge of the policy sector.

(3) The part of income tax exceeding the amount specified in subsection 1 of this section and the income tax not specified in subsection 1 are received in the state budget.
[RT I, 22.12.2022, 3 – entry into force 01.01.2024]

§ 5[1]. Transaction made for purpose of obtaining tax advantage

(1) Income tax is charged without taking into account a transaction or a series of transactions the main purpose or one of the main purposes of which is to obtain a tax advantage, which is contrary to the content or purpose of the applicable tax law or international treaty, and which is not genuine, taking into account all the relevant circumstances. A series of transactions may consist of more than one intermediate stage or part.

(2) Upon application of subsection 1, a transaction or a series of transactions is not deemed to be genuine unless it has been made for real vital or commercial reasons, which reflect the actual economic substance of the transaction.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

Chapter 2
BASIC DEFINITIONS USED IN ACT

§ 6. Resident

(1) A natural person is a resident if the place of residence of the person is in Estonia or if the person stays in Estonia for at least 183 days within 12 consecutive calendar months. A person is deemed to be a resident as of the day of the person's arrival in Estonia. A diplomat or administrative official on a long-term assignment abroad, as well as their family member and support person accompanying the diplomat or administrative official, is also a resident. A resident natural person pays income tax on all income derived in and outside Estonia regardless of whether the income is listed in §§ 13–22 or not.
[RT I, 27.09.2024, 1 – entry into force 01.01.2025]

(2) A legal person, except for a limited partnership fund, is a resident if it has been founded on the basis of Estonian law. A European public limited company (SE) and a European association (SCE) whose registered office is registered in Estonia are also residents. A resident legal person pays income tax on the objects of tax specified in §§ 48–52[1]and withholds income tax on the payments listed in § 41.
[RT I, 04.03.2019, 1 – entry into force 01.07.2020, date of entry into force changed [RT I, 28.02.2020, 2]]

(3) A non-resident is a natural or legal person not specified in subsections 1 and 2. The provisions concerning a non-resident also apply to a foreign association of persons or pool of assets (except for common investment fund) without the status of a legal person, which pursuant to the law of the state of foundation or establishment thereof is treated as a legal person for income tax purposes. A non-resident pays income tax only on income derived from an Estonian source of income pursuant to the provisions of § 29. The income of a non-resident legal person is declared and income tax is charged, withheld and paid on the same conditions and in accordance with the same rules as in the event of a non-resident natural person unless otherwise provided in this Act.
[RT I, 14.02.2013, 1 – entry into force 01.01.2014]

(3[1]) [Repealed – RT I, 14.02.2013, 1 – entry into force 01.01.2014]

(4) A non-resident legal person which has a permanent establishment in Estonia (§ 7) pays income tax in accordance with the rules provided in § 53. A non-resident natural person who has a permanent establishment in Estonia pays income tax in accordance with the rules provided in § 14. Subsection 3 does not apply to the taxation of income derived by such non-residents through a permanent establishment.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(5) If the tax residence determined on the basis of an international treaty differs from the tax residence determined on the basis of law or if an international treaty prescribes more favourable conditions for taxation of income than those prescribed in law, the international treaty will apply.
[RT I 2006, 28, 208 – entry into force 01.01.2007]

(6) A natural person notifies the tax authority of any circumstances related to changing the tax residence of the person and completes the form for determining tax residence. The form for determining the tax residence of a natural person is established by a regulation of the minister in charge of the policy sector.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

§ 7. Permanent establishment

(1) A permanent establishment is a business entity through which the permanent economic activities of a non-resident are carried out in Estonia.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(2) A permanent establishment is created as a result of economic activities which are geographically limited or of mobile nature, or as a result of economic activities carried out in Estonia through a representative authorised to enter into contracts on behalf of a non-resident.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(3) The income of a non-resident that the non-resident derives through a permanent establishment located in Estonia is regarded as income that the permanent establishment could have derived as an independent taxpayer who operates on the basis of the same or similar conditions in the same or similar areas of activity and is completely independent of the non-resident whose permanent establishment it is.

§ 8. Associated persons

(1) Persons are associated if they have a common economic interest or if one person has dominant influence over the other. In any event, the following persons are treated as associated persons:
1) spouses, registered partners, cohabitees or direct blood or collateral relatives;
[RT I, 06.07.2023, 6 – entry into force 01.01.2024]
2) companies belonging to one group for the purposes of § 6 of the Commercial Code;
3) a legal person and a natural person who holds at least 10% of the share capital of the legal person or of the total number of its votes or of the right to receive its profit;
4) one person, together with other persons with whom the person is associated, holds in total more than 50% of the share capital of the legal person or of the total number of its votes or of the right to receive its profit;
5) the legal persons in the event of which more than 50% of the share capital or of the total number of votes or of the right to receive profit are held by one and the same person or associated persons;
6) the persons who hold more than 25% of the share capital of one and the same legal person or of the total number of its votes or of the right to receive its profit;
7) the legal persons in the event of which all members of the management board or of the body substituting for the management board are one and the same persons;
8) an employer and its employee, the employee's spouse, registered partner, cohabitee or direct blood relative;
[RT I, 06.07.2023, 6 – entry into force 01.01.2024]
9) a person is a member of a management or controlling body of a legal person (§ 9), or a spouse, registered partner or direct blood relative of a member of a management or controlling body.
[RT I, 06.07.2023, 6 – entry into force 01.01.2024]

(2) The difference between the price of a transaction between associated persons (hereinafter *transfer price*) and the value of similar transactions between non-associated persons (hereinafter *market value of transaction*) is subject to taxation on the basis of §§ 14, 50 or 53 if this does not constitute a fringe benefit (§ 48).

(3) Upon application of subsection 2, a non-resident and its permanent establishment located in Estonia, and a resident in Estonia and its permanent establishment located in a foreign state are also treated as associated persons.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(4) Upon application of subsection 2, transactions between business entities forming part of a legal person are also treated as transactions between associated persons if the income of at least one of them is subject to taxation on the basis of § 52^1.
[RT I, 04.03.2019, 1 – entry into force 01.07.2020, date of entry into force changed [RT I, 28.02.2020, 2]]

§ 9. Management and controlling body of legal person

(1) A management or controlling body of a legal person is any authorised body or person who, pursuant to an Act governing the legal person, a partnership agreement, the articles of association or any other legislation regulating the activities of the legal person, has the right to participate in managing the activities of the legal person or in controlling the activities of a managing body of the legal person.

(2) A management or controlling body is, among other things, a management board, a supervisory board, a partner authorised to represent a general or limited partnership, a procurator, a founder until a legal person has been entered in the register, a liquidator, a trustee in bankruptcy, an auditor, a controller or a revision committee. A manager of a branch of a foreign company and a chief executive officer of another permanent establishment of a non-resident are also treated as a managing body.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(3) The provisions of subsections 1 and 2 apply to both legal persons in public and private law and to resident and non-resident legal persons.

§ 10. Low tax rate territory

[Repealed – RT I, 26.03.2021, 1 – entry into force 01.01.2022]

§ 10[1]. Non-cooperative jurisdiction for tax purposes

A non-cooperative jurisdiction for tax purposes is a jurisdiction entered in the list approved by 'Council conclusions on the EU list of non-cooperative jurisdictions for tax purposes'.
[RT I, 26.03.2021, 1 – entry into force 01.07.2021]

§ 11. List of non-profit associations, foundations and religious associations benefiting from income tax incentives

[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(1) The list of non-profit associations, foundations and religious associations benefiting from income tax incentives (hereinafter *list*) is approved by a resolution of the Tax and Customs Board.
[RT I, 20.02.2019, 1 – entry into force 01.07.2019]

(2) A non-profit association, a foundation and a religious association (hereinafter *association*) which meet the following requirements are entered in the list:
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
1) the association operates in the public interest;
2) the association operates for charitable purposes, offering goods, service or another benefit primarily free of charge or in another non-revenue seeking or publicly accessible manner;
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]
3) the association does not distribute its assets or income or grant benefits that have a monetary value to its founder, member, member of a management or controlling body (§ 9), person who has made donations to the association within the last twelve months or to a member of a management or controlling body of such person or to the persons associated with such persons and listed in clause 1 of subsection 1 of § 8;
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]
4) upon dissolution of the association, the assets remaining after satisfaction of the claims of creditors are transferred to an association entered in the list or specified in subsection 10 or to a legal person in public law;
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
5) the administrative expenses of the association correspond to the nature of activities of the association and the objectives specified in the articles of association thereof;
6) the remuneration paid to an employee and a member of a management or controlling body of the association (§ 9) does not exceed the remuneration usually paid for similar work in the business sector.

(3) The requirement specified in clause 3 of subsection 2 does not apply to an association engaged in social welfare, to a religious association or if a person specified in clause 3 of subsection 2 belongs to the target group of the association and does not receive additional benefits or incentives as compared with other persons belonging to the target group. The requirement specified in clause 4 of subsection 2 does not apply to a religious association founded in Estonia and to a religious association founded in another Contracting State to the EEA Agreement (hereinafter *Contracting State*) which complies with § 27 of the Churches and Congregations Act.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(4) An association is not entered in the list if:
1) it does not operate in accordance with its articles of association;
1[1]) it has not operated by the time of submission of the application for entry in the list for at least six months and has not submitted an annual report for this period;
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]
2) the documents of the association submitted for entry in the list are not in compliance with the requirements established in legislation;
3) it does not use the income derived from economic activities primarily for the purposes provided in clauses 1 and 2 of subsection 2 of § 11;
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]
4) it is engaged in advertising the goods or service of a founder or a donor, or in promoting the professional activities or business of a person belonging to the target group;
5) it has tax arrears that have not been deferred;
6) it has repeatedly failed to submit a report or a declaration within the term or in accordance with the rules prescribed in legislation or has repeatedly delayed payment of the amount of tax;
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
7) it is being dissolved or bankruptcy proceedings have been instituted against it;
8) it is engaged in supporting business or mainly in supporting the representatives of some profession or if it is a trade union or a political association. An association is treated as a political association if the association is a political party or an election coalition or if the main objective or the principal activity of the association is organising campaigns or collecting donations for or against a political party or an election coalition or a person applying for an elected or appointed office for the performance of public duties.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(4[1]) The conditions specified in clause 1[1] of subsection 4 do not apply to a congregation, a monastery or an institution of a church operating on the basis of an international treaty which belongs to a church or association of congregations entered in the list.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(5) The condition specified in clause 4 of subsection 4 does not apply if the association provides advertising service on the basis of a contract at the market price.

(6) [Repealed – RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(7) The Tax and Customs Board has the right to delete an association from the list if:
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]
1) the activities of the association do not meet the requirement specified in subsection 2;
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
2) a circumstance provided in subsection 4 and not specified in subsection 7^1 becomes evident;
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]
3) the association has not notified the Tax and Customs Board of such amendment made to its articles of association as a result of which the association no longer complies with the conditions of entry in the list within 30 days after the day of making an entry on the amendment in the register of non-profit associations and foundations; or
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
4) a violation of the condition for payment of scholarships and grants provided in subsection 6 or 7 of § 19 has been established.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(7^1) An association is deleted from the list if:
1) it has submitted a written application therefor;
2) it has failed to submit a report or a declaration within the term or in accordance with the rules prescribed in legislation on at least three consecutive occasions or has delayed payment of the amount of tax on at least three consecutive occasions;
3) it is dissolved.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(8) The rules for drawing up the list, a list of the documents to be submitted to this end and the rules for entering an association in and deleting it from the list are established by a regulation of the minister in charge of the policy sector.
[RT I, 20.02.2019, 1 – entry into force 01.07.2019]

(9) An application for entering in or deleting from the list is submitted to the Tax and Customs Board. The Tax and Customs Board notifies the association of a resolution to enter in the list, to deny entry in the list or to delete the association from the list within 30 days of the submission of the application. An association is entered in or deleted from the list on the first day of the calendar month following the adoption of the resolution.
[RT I, 20.02.2019, 1 – entry into force 01.07.2019]

(10) An association founded in another Contracting State is treated as an association benefiting from income tax incentives if it is proved that the association meets the conditions provided in subsection 2 and that no circumstances specified in clauses 1, 3–5, 7 and 8 of subsection 4 exist.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

Chapter 3
TAXATION OF INCOME OF RESIDENT NATURAL PERSON

§ 12. Income of resident natural person

(1) Income tax is charged on income derived by a resident natural person during a tax period from all sources of income in Estonia and outside Estonia, including:
1) income from employment (§ 13);
2) business income (§ 14);
3) gains from the transfer of property (§ 15);
4) income from rent and royalties (§ 16);
5) interest (§ 17);
6) dividends (§ 18);
7) pensions, scholarships and grants, allowances, awards and gambling winnings (§ 19);
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
8) insurance indemnities and payments from a pension fund (§§ 20, 20^1 and 21);
9) income of a legal person located in a non-cooperative jurisdiction for tax purposes (§ 22).
[RT I, 26.03.2021, 1 – entry into force 01.01.2022]

(2) The taxable income of a natural person does not include fringe benefits, gifts and donations or dividends or other profit distributions subject to taxation on the basis of §§ 48–53.
[RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(3) Income of a natural person does not include any compensation for certified expenses incurred for the benefit of another person, compensation for non-pecuniary harm or compensation for direct pecuniary harm paid by the state or municipal authority or ordered or approved by a court or a body established for the out-of-court resolution of disputes, except for compensation paid in connection with business. This subsection does not apply to compensations the taxation of which is subject to separate conditions and limits.
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]

§ 13. Income from employment

(1) Income tax is charged on all emoluments received for work and other payments arising from an employment or service relationship, including remuneration, wages and salaries, additional remuneration, holiday pay, compensation prescribed in the event of cancellation of an employment contract or release from service, compensation or late interest ordered by a court or an employment tribunal, sickness benefit and holiday pay compensated from the state budget. Income tax is charged on compensation for harm paid in the event of harm to health caused by an accident at work or an occupational disease unless such compensation is paid as insurance indemnity.
[RT I, 10.07.2020, 4 – entry into force 01.01.2021]

(1^{1}) Income tax is charged on the remuneration or service fee paid on the basis of a contract for services, authorisation agreement or another contract under the law of obligations.

(2) Income tax is charged on all emoluments paid by a legal person to a member of a management or controlling body (§ 9) for performing the official duties of the member.

(3) Income tax is not charged on:
1) the compensation for expenses related to secondment, business or official travel, and the daily allowance during an assignment abroad and the remuneration for an assignment abroad paid to an official, an employee or a member of a management or controlling body of a legal person by the employer or a third party instead of the employer as well as the compensation for such expenses paid for a family member of a public servant, and the compensation for relocation expenses related to appointment to an office in another locality. The tax-exempt limit of daily allowance during an assignment abroad is 75 euros for the first 15 days of an assignment abroad, but no more than for 15 days a calendar month, and 40 euros for each following day. The rules for payment of the compensations for expenses and daily allowance during an assignment abroad exempt from income tax and specified in the first sentence of this clause are established by a regulation of the Government of the Republic;
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]
1^{1}) the payments specified in clause 1 of this subsection and made to a person specified in same clause by the employer or a third party instead of the employer within the limits in force in the place of performance of work if the place of performance of work is in a foreign state;
1^{2}) the daily allowance, which is paid to an expert participating in an international civilian mission on the basis of the Participation in International Civilian Missions Act and does not exceed the upper limit of the daily allowance agreed for civilian missions in the Council of the European Union, and the compensation for travel, accommodation and other expenses;
[RT I, 04.03.2011, 1 – entry into force 01.04.2011]
1^{3}) the daily allowance, which is paid to an active serviceman participating in an international military operation on the basis of the Military Service Act and does not exceed four times the tax-exempt limit of the daily allowance during an assignment abroad as provided in clause 1 of this subsection;
[RT I, 20.03.2013, 1 – entry into force 01.04.2013]
1^{4}) the daily allowance, which is paid to an expert participating in a twinning or technical assistance and information exchange project funded by the European Union and does not exceed the upper limit of the daily allowance established by the European Commission;
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]
1^{5}) the daily allowance, which is paid to an official or an employee performing the duties of an official expert at an institution or agency of the European Union and does not exceed the upper limit of the daily allowance established by this institution or agency, and the compensation for travel, accommodation and other expenses;
[RT I, 17.12.2015, 2 – entry into force 01.01.2016, applied retroactively as of 1 January 2015.]
1^{6}) the daily allowance, which is paid to an official or an employee participating in a long-term secondment and a short-term deployment of the European Border and Coast Guard Agency and in a secondment of an asylum support team of the European Asylum Support Office and does not exceed the upper limit of the daily allowance established by the European Border and Coast Guard Agency and the European Asylum Support Office, and the compensation for travel, accommodation and other expenses;
[RT I, 26.03.2021, 1 – entry into force 05.04.2021, applied retroactively as of 1 January 2021.]
2) the compensation paid to an official, an employee or a member of a management or controlling body of a legal person in connection with using a personal automobile upon performing service, employment or official duties. A personal automobile is deemed to be an automobile, which is used by a person specified in the first sentence and is not in the ownership or possession of the employer. If driving records are kept, the tax-exempt limit of the compensation paid to one person is 0.50 euros per kilometre, but no more than 550 euros a

calendar month per employer paying the compensation. The rules for keeping driving records and paying the compensation are established by a regulation of the Government of the Republic;
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]

2^{1}) the compensation paid to a person who has a disability and has been specified in clause 2 in connection with using a personal motor vehicle for travelling between the place of residence and place of work if it is not possible to use public transport to this end or if the use of public transport causes a material decrease in the ability of the person to move and work. In total, the expenses provided in this clause and in clause 2 may be compensated for exempt from tax to the extent of the limit provided in clause 2. The compensation is paid and driving records are kept in accordance with the rules specified in clause 2;
[RT I 2009, 18, 109 – entry into force 01.07.2009]

2^{2}) the compensations for a lay assessor's expenses related to participation in a meeting of an employment tribunal pursuant to § 10 of the Labour Dispute Resolution Act in accordance with clauses 1 and 2 of this subsection;
[RT I, 04.07.2017, 3 – entry into force 01.01.2018]

2^{3}) the compensation for a parking fee paid to a person specified in clause 2 in connection with using a personal automobile upon performing service, employment or official duties;
[RT I, 07.07.2017, 3 – entry into force 01.08.2017, clause 2^{3} applied retroactively as of 1 July 2017.]

3) the payments made to a member of the Riigikogu on the basis of the Status of Members of the Riigikogu Act in order to cover the expenses related to work and official mission and lodging expenses as well as the expenses related to the provision of residential space to a member of the Riigikogu;
[RT I 2007, 44, 316 – entry into force 14.07.2007]

4) the payments made to the President of the Republic and to their spouse as well as to the President after the end of their mandate and to their spouse on the basis of the Act on Official Emoluments of the President of the Republic in order to cover representation costs and other expenses;

4^{1}) the payments made to members of the Government of the Republic on the basis of § 31^{1} of the Government of the Republic Act;
[RT I 2010, 1, 2 – entry into force 01.01.2014 (entry into force changed – RT I, 29.12.2012, 1)]

4^{2}) the payments made to the Chief Justice of the Supreme Court on the basis of § 76^{1} of the Courts Act;
[RT I, 23.12.2014, 1 – entry into force 01.01.2015]

4^{3}) the payments made to the Prosecutor General on the basis of § 22^{3} of the Prosecutor's Office Act;
[RT I, 28.12.2017, 1 – entry into force 01.01.2018]

4^{4}) the payments made to the Chancellor of Justice on the basis of subsection 5^{1} of § 14 of the Chancellor of Justice Act;
[RT I, 28.12.2017, 1 – entry into force 01.01.2018]

4^{5}) the payments made to the Auditor General on the basis of subsection 7^{1} of § 27 of the National Audit Office Act;
[RT I, 28.12.2017, 1 – entry into force 01.01.2018]

4^{6}) the payments made to the State Secretary on the basis of subsection 3^{1} of § 79 of the Government of the Republic Act;
[RT I, 28.12.2017, 1 – entry into force 01.01.2018]

5) [repealed – RT I 2003, 88, 587 – entry into force 01.01.2004]

6) the cost of meals given to a crew member during voyage and to a member of the crew of civil aircraft during flight, which does not exceed 20 euros a day per person;
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]

7) the allowance, which is paid to an employee in the event of birth of a child and does not exceed 5/12 of the basic exemption (§ 23) granted to a resident natural person during a tax period;
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

8) [repealed – RT I, 11.07.2014, 5 – entry into force 01.01.2015]

9) the in-service training and retraining of employees paid for by the employer in connection with terminating the employment or service relationship due to redundancy;

10) the expenses incurred by the employer for the treatment of harm to the health of an employee or an official as a result of an accident at work or an occupational disease;
[RT I, 06.07.2012, 1 – entry into force 01.04.2013]

11) the payments made to a diplomat on the basis of subsection 62 (1) of the Foreign Service Act;

12) [repealed – RT I, 10.07.2012, 2 – entry into force 01.04.2013]

13) the cost of meals given to a member of the Defence Forces during military training, in reserve service, during an international military operation, on board an aircraft or warship belonging to the Defence Forces;
[RT I, 27.01.2023, 1 – entry into force 01.04.2023]

13^{1}) the cost of meals provided free of charge on the basis of subsection 1 of § 47 of the Rescue Act and subsection 1 of § 72^{1} of the Police and Border Guard Act;
[RT I, 27.05.2022, 2 – entry into force 01.07.2022]

14) the remuneration paid to persons who have been recruited for secret co-operation;
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

15) the insurance premiums of a supplementary funded pension paid for an official, an employee or a member of a management or controlling body of a legal person, the amounts paid for the acquisition of units of a

voluntary pension fund as provided in § 28 and the contributions to a pan-European Personal Pension Product, i.e. PEPP, contract (hereinafter *PEPP contract*) specified in point (4) of Article 2 of Regulation (EU) 2019/1238 of the European Parliament and of the Council on a pan-European Personal Pension Product (PEPP) (OJ L 198, 25.7.2019, p. 1–63), which exceed neither 15% of the sum of the payments made to them during a calendar year and subject to income tax nor 6,000 euros;
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]
16) the compensation for uniform of a police officer paid on the basis of subsection 8^1 of § 37^1 of the Police and Border Guard Act;
[RT I, 19.03.2015, 2 – entry into force 29.03.2015]
17) the compensation for the expenses of in-service training and retraining paid on the basis of the Military Service Act to an active serviceman who has participated in an international military operation and to an active serviceman who has suffered permanent harm to health due to performing service duties;
[RT I, 17.12.2015, 2 – entry into force 01.01.2016]
17^1) the compensation for personal equipment of an active serviceman paid on the basis of subsection 1^1 of § 13 of the Military Service Act and the compensation for housing loan interest of a conscript paid on the basis of subsection 14 of § 54 of the same Act;
[RT I, 07.03.2023, 7 – entry into force 01.04.2023]
18) the compensation paid on the basis of § 67 of the Estonian Defence League Act to a member of the Defence League for using a personal motor vehicle upon performing a service duty;
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]
19) the compensation for the expenses of medical examination to the member of the Defence League who, in order to perform their service duties, are required to have the right to drive a motor vehicle of category C, CE, D or DE.
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]

(3^1) For the purposes of this Act, an official also means a person specified in subsection 3 of § 2 of the Civil Service Act.
[RT I, 10.07.2020, 4 – entry into force 01.01.2021]

(4) If a person receives the income or fringe benefit (§ 48) specified in subsections 1, 1^1 or 2 for working in a foreign state, it is not subject to income tax in Estonia if all the following conditions are met:
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
1) the person has stayed in the foreign state for the purpose of employment for at least 183 days within 12 consecutive calendar months;
2) the income has been taxable income of the person in the foreign state and this is certified, and the certificate indicates the amount of income tax (even if the amount is zero).

(5) Income tax is charged on the remuneration paid to a crew member at the rate specified in subsection 6 of § 4 if the remuneration has been received for employment on a ship:
1) with a gross tonnage of at least 500 and used for international carriage of goods or passengers by sea for the purposes of subsection 5 of § 52^1, except on a passenger ship engaged in regular service in the European Economic Area; and
[RT I, 28.02.2020, 2 – entry into force 01.07.2020]
2) flying the flag of a Contracting State.
[RT I, 04.03.2019, 1 – entry into force 01.07.2020, date of entry into force changed [RT I, 28.02.2020, 2]]

(6) Income tax is charged on the remuneration paid to a crew member at the rate specified in subsection 6 of § 4 if the remuneration has been received for employment on a ship specified in subsection 11 of § 52^1 with gross tonnage of at least 500 and flying the flag of a Contracting State, provided that more than 50% of the operational time of the ship is spent in maritime transport.
[RT I, 28.02.2020, 2 – entry into force 01.07.2020]

(7) State aid for the purposes of Article 107(1) of the Treaty on the Functioning of the European Union is the income tax calculated on the remuneration of a crew member. The State aid is granted adhering to the Community guidelines on State aid to maritime transport (hereinafter *maritime aid guidelines*) and the respective decision of the European Commission authorising the grant of the State aid. The State aid recipient is the person specified in subsection 1 of § 40, who complies with the conditions provided in subsection 5 and in clauses 4 and 5 of subsection 3 of § 52^1.
[RT I, 28.02.2020, 2 – entry into force 01.07.2020]

(8) The Ministry of Climate or an authority authorised thereby calculates the amount of the State aid on the basis of the necessary data communicated by the Tax and Customs Board and enters the data in the register of State aid and de minimis aid provided in § 49^2 of the Competition Act as well as exercises supervision over the compliance with the State aid rules specified in subsection 7 of this section.
[RT I, 30.06.2023, 1 – entry into force 01.07.2023]

§ 14. Business income

(1) Income tax is charged on income derived from business (business income), regardless of the time of its receipt.

(2) Business is the independent economic or professional activities of a person (also including the professional activities of a notary and an enforcement agent and the creative activities of a creative person), the aim of which is to derive income from the production, sale or intermediation of goods, provision of a service, or other activities, including creative or scientific activities.
[RT I, 23.12.2013, 1 – entry into force 01.01.2014]

(3) Transfer by a natural person of securities owned by the person is not deemed business.

(4) Business income may also include the income specified in § 16.

(5) A sole proprietor entered in the commercial register or in the register of a Contracting State and a non-resident sole proprietor who has a permanent establishment registered in Estonia may make the deductions permitted in Chapter 6 from their business income. The expenses incurred before registration of a sole proprietor may be deducted from business income if they are related to the registration of the sole proprietor or to obtaining activity licences and registrations necessary for commencement of business.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(5^1) [Repealed – RT I 2006, 28, 208 – entry into force 01.01.2007]

(5^2) [Repealed – RT I 2006, 28, 208 – entry into force 01.01.2007]

(5^3) Business-related deductions are made from the business income of a sole proprietor for the tax period and the amount received is divided by 1.33 before it is multiplied by the tax rate if the Social Tax Act applies to the taxation of business income.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

(5^4) If the amount received by multiplying the amount calculated pursuant to subsection $5^3$and the number 0.33 is less than the amount of social tax calculated pursuant to subsection 5 of § 2 of the Social Tax Act, such amount is not divided in the manner specified in subsection $5^3$and income tax is calculated on the business income from which business-related deductions have been made and which has been reduced by the social tax calculated pursuant to subsection 5 of § 2 of the Social Tax Act. The amount of social tax exceeding the business income subject to taxation is carried forward, on the basis of § 35, to subsequent tax periods.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

(5^5) If the amount received by multiplying the amount calculated pursuant to subsection $5^3$and the number 0.33 is larger than the amount of social tax calculated pursuant to clause 5 of subsection 1 of § 2, such amount is not divided in the manner specified in subsection $5^3$and income tax is calculated on the business income from which business-related deductions have been made and which has been reduced by the social tax calculated pursuant to clause 5 of subsection 1 of § 2 of the Social Tax Act.
[RT I 2006, 28, 208 – entry into force 01.01.2007]

(6) The provisions of this Act concerning a sole proprietor entered in the commercial register also apply to a notary and an enforcement agent.
[RT I, 23.12.2013, 1 – entry into force 01.01.2014]

(7) If the price of a transaction made between a sole proprietor and a person associated with the sole proprietor in the course of business differs from the market value of the above transaction, income tax is charged on the amount which the taxpayer would have received as income or on the amount which the taxpayer would not have incurred as expenses if the transfer price had been in compliance with the market value.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(8) The methods for determining the market value of the transactions specified in subsection 7 are established by a regulation of the minister in charge of the policy sector.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(9) Subsection 7 does not apply to the difference between the transfer price and the market value of a transaction if a sole proprietor has paid income tax thereon or income tax has been withheld thereon pursuant to § 41. Neither does subsection 7 apply in the event provided in subsection 7 of § 37.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(10) If a sole proprietor earns business income in a foreign state, income tax is not charged on it in Estonia if both of the following conditions are met:
1) the business income has been earned through their permanent establishment located in the foreign state;
2) the income has been taxable income in the foreign state and this is certified, and the certificate indicates the amount of income tax.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

§ 15. Gains from transfer of property

(1) Income tax is charged on gains (§ 37) derived from the sale or exchange of any transferable item that has a monetary value, including an immovable or a movable, a security, a share, a contribution made to a general or limited partnership or to an association, a unit of an investment fund, crypto-assets, a right of claim, a right of pre-emption, a right of superficies, a usufruct, a personal right of use, rights of a commercial lessee, a redemption obligation, a mortgage, a commercial pledge, a registered security over movables, or another restricted real right or the ranking thereof, or another pecuniary right (hereinafter *property*). The redemption of a security and the cessation of validity of a security or another right that has a monetary value is treated as the sale of property.
[RT I, 03.12.2024, 1 – entry into force 01.01.2025]

(2) Income tax is charged on the part of the payment received from the equity upon reducing the share capital of a public limited company, a private limited company or an association or contributions to a general or limited partnership as well as upon redeeming or returning shares or contributions or in another event, which exceeds the acquisition cost of the holding (shares, contribution), except for the part of the said payment which is subject to income tax or the share of profit constituting the basis for which is subject to income tax, taking into account the provisions of the second sentence of subsection $2^{1}$of § 50.
[RT I 2008, 51, 286 – entry into force 01.01.2009]

(3) Income tax is charged on the part of the liquidation proceeds received upon liquidating a legal person, which exceeds the acquisition cost of the holding, except for the part of the liquidation proceeds which is subject to income tax or the share of profit constituting the basis for which is subject to income tax, taking into account the provisions of the second sentence of subsection $2^{1}$of § 50.
[RT I 2008, 51, 286 – entry into force 01.01.2009]

(3^{1}) Income tax is charged on the part of the payment received upon returning a unit of a common investment fund or a share of a public limited fund and liquidating a common investment fund or a public limited fund, which exceeds the acquisition cost of the unit or share, except for the part of the said payment the income of the investment fund constituting the basis for which is subject to income tax pursuant to the provisions of Chapter 5^{1}or exempt from income tax pursuant to subsection 2 of § 31^{2}.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(3^{2}) Upon merger of a company with the property of a natural person, income tax is charged on the difference between the income received from the company in monetary or non-monetary form and the liabilities, which have been taken over, which exceeds the acquisition cost of the holding, except for the part of the gains which is subject to income tax or the share of profit constituting the basis for which is subject to income tax. If a liability taken over from the company ceases to exist later due to waiver of a claim, limitation period, coincidence of the debtor and the creditor in one person or for another reason, income tax is charged on the amount of the liability that ceased to exist and by which the income received from the company upon merger was reduced.
[RT I, 21.03.2014, 3 – entry into force 01.01.2015]

(4) Income tax is not charged on:
1) the accepted estate;
2) the property returned in the course of ownership reform;
3) the fee and compensation paid for the acquisition, including expropriation, and establishment of compulsory possession on the basis of the Acquisition of Immovables in Public Interest Act as well as the income and compensation received from the exchange of immovables and land consolidation carried out on the basis of the same Act;
[RT I, 29.06.2018, 1 – entry into force 01.07.2018]
3^{1}) the compensation received in the course of a land consolidation operation;
[RT I, 29.06.2018, 1 – entry into force 01.07.2018]
4) income from the transfer of a movable in personal consumption;
5) income from the transfer of land returned in the course of ownership reform;
6) the income derived by a person, who has received a public capital bond accounting card, from the sale of the privatisation vouchers issued to the person on the basis of the public capital bond accounting card;
7) the income derived by an entitled subject of agricultural reform from the sale of the employment share issued to the person;
8) the income derived by an entitled subject of ownership reform from the sale of the privatisation vouchers issued to the person on the basis of an order for compensation of unlawfully expropriated property;
8^{1}) the compensation paid to an entitled subject of ownership reform for unlawfully expropriated property as well as the compensation paid to the person for the privatisation vouchers issued to but not used by the person;
9) income from the exchange of a holding (shares, contribution) in the course of a merger, division or transformation of companies or non-profit co-operatives;
10) income from the increase or acquisition of a holding (shares, contribution) in a company by way of a non-monetary contribution;
11) income from the exchange of units or shares of an investment fund of a Contracting State on the conditions provided in clause 2 of subsection 3 of § 14 or in clause 2 of subsection 5 of § 18 of the Investment Funds Act and income from the exchange of units of or another holding in an investment fund in the course of a merger of investment funds;

[RT I, 31.12.2016, 3 – entry into force 10.01.2017]
12) income from the sale of electricity generated by a generating installation which is used for the generation of electricity from a renewable energy source and the net capacity of which is up to 15 kW.
[RT I, 07.03.2023, 21 – entry into force 17.03.2023, applied retroactively as of 1 January 2022.]

(4^1) The tax exemption provided in clause 12 of subsection 4 also applies if the income has been received as a member of an apartment association selling electricity and the net capacity of the generating installation does not exceed 15 kW per connection point or 8 kW per apartment ownership.
[RT I, 07.03.2023, 21 – entry into force 17.03.2023, applied retroactively as of 1 January 2022.]

(5) Income tax is not charged on gains from the transfer of an immovable, a contribution to a housing association or membership in a building association if:
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
1) an essential part of the immovable or the object of an apartment ownership or of a right of superficies in an apartment is a dwelling that the taxpayer used as their place of residence until the transfer; or
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
2) an essential part of the immovable or the object of an apartment ownership or of a right of superficies in an apartment is a dwelling and the immovable has been transferred into the ownership of the taxpayer through return of unlawfully expropriated property; or
3) an essential part of the immovable or the object of an apartment ownership or of a right of superficies in an apartment is a dwelling and the dwelling and the land adjacent thereto have been transferred into the ownership of the taxpayer through privatisation with the right of pre-emption and the size of the registered immovable does not exceed 2 hectares; or
4) a summer cottage or a garden house as a movable or as an essential part of an immovable has been in the ownership of the taxpayer for more than two years and the size of the registered immovable does not exceed 0.25 hectares; or
5) a construction work or an apartment as a movable has been transferred into the ownership of the taxpayer through return of unlawfully expropriated property or through privatisation with the right of pre-emption; or
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
6) [repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]
7) the taxpayer used an apartment in a residential building belonging to the housing or building association as their place of residence until the transfer.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(6) If the tax exemption provided in subsection 5 is based on the use of the dwelling as the taxpayer's place of residence, the tax exemption is not applied to more than one transfer within two years. If an immovable, a construction work or an apartment was also used simultaneously with its use as a place of residence for other purposes, the tax exemption is applied in accordance with the proportion of the area of the rooms used as a place of residence and the area of the rooms used for other purposes.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

§ 16. Income from rent and royalty

(1) Income tax is charged on rent, consideration for establishing a right of superficies and tolerating a real encumbrance, and another consideration received for tolerating a restriction on the use of an object arising from law or a transaction (hereinafter *income from rent*). Income from rent does not include bearing accessory expenses for the purposes of § 292 and duties for the purposes of § 293 of the Law of Obligations Act on behalf of the recipient of the income from rent or compensating the recipient of the income from rent for bearing the same, or the amount specified in clause 15 of subsection 3 of § 19 of this Act.
[RT I, 30.06.2015, 1 – entry into force 01.01.2016]

(2) Income tax is charged on consideration for the grant of use of a copyright of a literary, artistic or scientific work (including a cinematographic film or a video, recording of a radio or television programme, or a computer programme), or for the grant of use of a patent, trademark, industrial design or utility model, plans, secret formulas or processes, or consideration for the transfer of the right to use the above (hereinafter *royalty*).

(3) Income tax is charged on consideration for the grant of use of industrial, commercial or scientific equipment or industrial, commercial or scientific know-how, or consideration for the transfer of the right to use the above (hereinafter *royalty*).
[RT I, 30.06.2015, 1 – entry into force 01.01.2016]

§ 17. Interest

(1) Income tax is charged on the interest received on a loan, leasing and another debt obligation, as well as on a security and a deposit, including such amount calculated on a debt obligation by which the initial debt obligation is increased. A monetary payment made to a unit-holder on the account of a common investment fund, except

for the payment specified in subsection 3[1] of § 15, is also treated as interest. The fine for delay (late interest) payable in the event of a delay in the performance of a monetary obligation is not treated as interest.
[RT I, 14.02.2013, 1 – entry into force 01.01.2014]

(1[1]) Income tax is not charged on the interest specified in subsection 1 if the interest has been received on the financial assets acquired for the money in a pension investment account specified in § 3[1] of the Funded Pensions Act (hereinafter *pension investment account*) or if the income of the investment fund constituting the basis therefor is subject to taxation pursuant to the provisions of Chapter 5[1] or is exempt from income tax pursuant to subsection 2 of § 31[2] of this Act.
[RT I, 16.12.2022, 5 – entry into force 01.01.2023, applied retroactively as of 1 January 2022]

(1[2]) Income tax is not charged on the interest specified in subsection 1 if the interest has been received on the basis of a PEPP contract. Payments made under a PEPP contract are subject to taxation on the basis of § 21.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(2) [Repealed – RT I, 24.12.2016, 1 – entry into force 01.01.2018]

(3) [Repealed – RT I, 24.12.2016, 1 – entry into force 01.01.2018]

§ 17[1]. Income on financial assets

(1) The income tax liability arising from the gains or income derived from the financial assets specified in subsection 2 of this section (hereinafter *financial assets*) may be postponed if the conditions provided in § 17[2] are met.

(2) The following are treated as financial assets:
1) a security which is publicly offered on the basis of a prospectus or an information sheet in a Contracting State or in a member state of the Organisation for Economic Cooperation and Development for the purposes of the Securities Market Act or the legislation of a respective foreign state;
[RT I, 03.12.2024, 1 – entry into force 01.01.2025]
1[1]) a debt security not specified in clause 1, which has been issued by a resident credit institution of a state specified in clause 1 or by a resident company of a state specified in clause 1 and belonging to the same consolidation group as the credit institution;
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]
2) a security which has been admitted to trading on a regulated securities market or multilateral trading facility of a state specified in clause 1 (hereinafter in this section *market*) or concerning which a request has been submitted for admission to trading on such market provided that financial supervision is exercised over such market and the market is recognised and regularly organised by the relevant state and it is possible for the public to acquire and transfer securities through this market;
3) a share or unit of an investment fund not covered by clauses 1 and 2 for the purposes of the Investment Funds Act, except for a small fund with no activity licence, or a share or unit of such investment fund founded in a foreign state specified in clause 1 over which financial supervision is exercised;
[RT I, 03.12.2024, 1 – entry into force 01.01.2025]
4) a deposit opened with a resident credit institution of a state specified in clause 1 or with a credit institution's permanent establishment located in the above state;
[RT I, 24.12.2016, 1 – entry into force 01.01.2018]
5) a unit-linked life insurance contract whose underlying assets are the financial assets specified in clauses 1–4 and clause 1 of subsection 3 and which has been entered into with an insurance undertaking of a state specified in clause 1;
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]
6) such a derivative instrument or spot contract not covered by clauses 1 and 2, a party to which is a resident fund manager, investment firm or credit institution of a state specified in clause 1 and whose underlying assets are the financial assets specified in clauses 2–4 or currency or whose price depends directly or indirectly on currency exchange rates;
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]
7) a short-term debt security not covered by clauses 1 and 2 if the debt security is liquid and its value can be accurately determined at any time, and it has been issued by a resident of a state specified in clause 1 who complies with the conditions provided in clauses 1–4 of subsection 2 of § 107 of the Investment Funds Act;
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]
8) a covered bond for the purposes of the Covered Bonds Act or for the purposes of Directive (EU) 2019/2162 of the European Parliament and of the Council on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU (OJ L 328, 18.12.2019, p. 29–57);
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]
9) a loan granted and such security or holding acquired through such crowdfunding service provider who has been authorised on the basis of Regulation (EU) 2020/1503 of the European Parliament and of the Council on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937(OJ L 347, 20.10.2020, p. 1–49);
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]
10) crypto-assets acquired through such crypto-asset service provider or from such issuer of crypto-assets who has obtained the right to offer crypto-assets or provide crypto-asset service on the basis of Regulation

(EU) 2023/1114 of the European Parliament and of the Council on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (OJ L 150, 9.6.2023, p. 40–205).
[RT I, 03.12.2024, 1 – entry into force 01.01.2025]

(3) A share or unit of an investment fund of a state not specified in clause 1 of subsection 2 and a security admitted to trading on the market of such state are also treated as financial assets provided that:
1) financial supervision is exercised over such investment fund, fund manager or market; and
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]
2) a taxpayer concludes a transaction involving the financial assets within the framework of providing an investment service specified in § 43 of the Securities Market Act with a resident credit institution, investment firm or fund manager of a state specified in clause 1 of subsection 2.

(4) Contributions made on the basis of a deposit or insurance contract after the entry into such contract are also treated as acquisition of financial assets.

(5) At the time of acquisition, financial assets must meet the conditions provided in subsection 2 or 3.

(6) The provisions concerning financial assets also apply to assets, which were acquired as financial assets, but which do not meet the requirements provided for financial assets in this section at the time these assets are transferred, income is derived therefrom or when the contract expires.

(7) An insurance contract for a funded pension, a unit of a pension fund or a PEPP contract (§§ 28 and 28^1) are not treated as financial assets.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(8) For the purposes of this Act, a unit-linked life insurance contract is deemed to be a contract where the investment risk related to the underlying assets thereof is borne, in accordance with the insurance contract, by the policyholder and where the preservation of the nominal value of the insurance premiums paid for the acquisition of the underlying assets is not guaranteed.
[RT I, 17.11.2017, 3 – entry into force 01.10.2018]

§ 17^2. Investment account

(1) In order to postpone income tax liability:
1) financial assets must only be acquired for the money held in an investment account; and
2) the income derived from financial assets must immediately be transferred to the investment account, except for in the event provided in subsection 2.
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]

(2) The requirements provided in subsection 1 do not apply in the event of exchanging financial assets or to income derived from the financial assets specified in subsection 2 of § 17^1unless they have been transferred out of an account opened with an investment firm or out of an account opened on a platform managed by a crowdfunding service provider or crypto-asset service provider.
[RT I, 03.12.2024, 1 – entry into force 01.01.2025]

(3) An investment account is an account opened with a resident credit institution of a state specified in clause 1 of subsection 2 of § 17^1or with a credit institution's permanent establishment located in the above state, with a resident payment institution or e-money institution of a Contracting State or with a payment institution's or e-money institution's permanent establishment located in a Contracting State in which the taxpayer's money is held. An account opened with a resident investment firm of a Contracting State is also treated as an investment account if the investment firm has opened an account which meets the conditions specified in the previous sentence on the account of the taxpayer for making transactions through it or holds the taxpayer's money in a manner that enables it to be distinguished from the money of the investment firm and that of other clients.
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]

(4) When a payment is made from an investment account, tax is charged on the amount by which the payments made from all investment accounts exceed the balance of the contributions made to all the investment accounts following such payment. The balance of the contributions is calculated after each contribution and payment by adding the contribution to the previous balance or deducting the payment from the previous balance.

(5) All transfers made from an investment account, which are not used to acquire financial assets or to transfer money to the taxpayer's another investment account, are treated as payments from the investment account. The income derived from financial assets, which is not transferred to an investment account immediately, except for in the event provided in subsection 2, is also treated as a payment. Conversion of currency for the acquisition of financial assets or the fee related to the use of an investment account, securities account or platform managed by a crowdfunding service provider or crypto-asset service provider are not treated as a payment.

[RT I, 03.12.2024, 1 – entry into force 01.01.2025]

(6) All transfers made to an investment account are treated as contributions to the investment account. The income specified in § 17[1], if income tax is charged thereon, and the balance of an account before the account was started to be used as an investment account are also treated as a contribution. Untaxed income derived from financial assets or money transferred from another investment account are not treated as a contribution.

(6[1]) A margin loan is not treated as a contribution to an investment account and the repayment of the principal of such a loan is not treated as a payment from an investment account. A transaction by which a credit institution or an investment firm grants a loan in connection with the purchase, sale, carrying or trading of securities is treated as a margin loan.
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]

(7) Certified expenses directly related to the acquisition and transfer of financial assets are treated as a contribution to an investment account unless these have already been taken into account as part of a contribution.

(8) In order to postpone the income tax liability arising from the income derived from the financial assets, which could not be acquired for money due to the substance of the transaction, the acquisition cost of the financial assets must be declared in the income tax return as a contribution to an investment account.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(9) If the money held in an investment account is not transferred to another investment account when it is closed, it is treated as a payment from the investment account. The balance of the contributions to an investment account is reduced by the acquisition cost of the financial assets available at the time the last investment account is closed.

(10) The loss incurred from the transfer of financial assets acquired for the money held in an investment account at a price lower than the market price to a person associated with the taxpayer or from the transfer of financial assets acquired from such person at a price higher than the market price or from the cessation of validity of financial assets for the benefit of a person associated with the taxpayer on the conditions different from the market conditions is declared as a payment from the investment account.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(11) If the financial assets granting the right to receive a dividend were acquired for the money held in an investment account within 30 days before the day when the persons with the right to receive a dividend were specified and were transferred on the day when the persons with the right to receive a dividend were specified or within 30 days after such day, the loss incurred from the transfer of the financial assets is declared as a payment from the investment account.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(12) The money held in an investment account may not be used as a collateral for such liabilities which are not related to the acquisition of financial assets.

(13) Upon non-compliance with the condition specified in subsection 12, the tax liability arising from the gains or from the income derived from financial assets cannot be postponed. In such event, the balance of the money held in the investment account is declared as a payment. The acquisition cost of the available financial assets acquired for the money held in this account is also declared as a payment from the investment account.

(14) In the events specified in subsections 9 and 13, financial assets are not treated as the financial assets acquired for the money held in an investment account.
[RT I 2010, 34, 181 – entry into force 01.01.2011]

§ 18. Dividends and other income from holding

[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(1) Income tax is charged on all dividends and other profit distributions received by a resident natural person from a foreign legal person in monetary or non-monetary form.

(1[1]) Income tax is not charged on the dividend specified in subsection 1 if income tax has been paid on the share of profit on the basis of which the dividend is paid, if income tax on the dividend has been withheld in a foreign state or if the dividend has been received on the financial assets acquired for the money held in a pension investment account.
[RT I, 16.12.2022, 5 – entry into force 01.01.2023, applied retroactively as of 1 January 2022]

(1[2]) Subsection 1[1]does not apply in the event of such transaction or series of transactions which is devoid of economic substance and the main purpose or one of the main purposes of which is to obtain a tax advantage.
[RT I, 07.07.2017, 3 – entry into force 01.01.2018]

(1[3]) [Repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(2) A dividend is a payment which is made from net profit or retained profits from previous financial years on the basis of a resolution of a competent body of a legal person, and which is based on the holding of the recipient of the dividend in the legal person (ownership of shares, partnership in a general or limited partnership or membership in a commercial association, or other forms of holding in accordance with the legislation of the home country of the company).

(3) Payments made upon reducing share capital or contributions, redeeming shares or liquidating a legal person are subject to taxation in accordance with the subsections 2 and 3 of § 15.

(4) If a resident natural person is a member of such association of persons or a partner or co-owner of such pool of assets without the status of a legal person, which pursuant to the law of the state of foundation or establishment thereof is not treated as a legal person for income tax purposes, the share of the net profit of the said association or pool of assets is subject to taxation in proportion to the holding, voting rights or share in the common ownership of a resident natural person. Income tax is not charged on profit distributions received on the account of the share of profit subject to taxation in such way.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(5) Subsection 4 does not apply to any holding in a pool of assets concerning which a security for the purposes of § 2 of the Securities Market Act has been issued. The income derived from such pool of assets is subject to taxation on the basis of subsections 1–3[1]of § 15 or subsection 1 of § 17.
[RT I, 14.02.2013, 1 – entry into force 01.01.2014]

(6) If a resident natural person is a partner of a limited partnership fund, the income derived by the limited partnership fund is subject to taxation in proportion to the share of the person in the limited partnership fund. Income tax is not charged on profit distributions received on the account of this income.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

§ 19. Pensions, scholarships and grants, allowances, awards, gambling winnings, benefits and maintenance support

[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(1) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(2) Income tax is charged on received pensions, allowances, scholarships and grants, cultural, sports and scientific awards, gambling winnings, benefits received on the basis of the Family Benefits Act and compensations and daily allowance related to a sports assignment or paid by an artistic association to a creative person for a business trip related to the creative activities of the creative person.
[RT I, 08.07.2016, 1 – entry into force 01.01.2017]

(3) Income tax is not charged on:
1) [repealed – RT I 2003, 88, 587 – entry into force 01.01.2004]
2) [repealed – RT I 2001, 79, 480 – entry into force 01.01.2002]
3) a benefit provided in law or in a rural municipality or city council regulation, except for a benefit paid in connection with business or an employment or service relationship or with membership of a management or controlling body of a legal person, and the benefits specified in subsection 4;
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]
3[1]) a labour market benefit paid to a natural person within the framework of the labour market measure of support for participation in a labour market service as provided in the Labour Market Measures Act and out of the European Union funds in order to compensate for the expenses related to the participation in a labour market service and encourage participation in a labour market service if it has been paid within the limits provided in § 15 of the Labour Market Measures Act;
[RT I, 07.03.2023, 5 – entry into force 01.01.2024]
3[2]) a benefit paid to a natural person from the European Union structural aid for building water and sewerage piping or installing a collection tank on a registered immovable;
[RT I, 06.12.2018, 2 – entry into force 16.12.2018, clause 3[2] applied retroactively as of 1 June 2018.]
3[3]) a benefit paid on the basis of the State Budget Act and the Atmospheric Air Protection Act to a natural person for improving the living conditions of families with many children and for increasing the energy efficiency of small residential buildings;
[RT I, 23.12.2019, 2 – entry into force 01.01.2021]
3[4]) a benefit paid to a natural person from the state budget to make their dwelling more resistant to the disturbances arising from a training area of the Defence Forces and the Defence League;
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 October 2024.]
4) international and state cultural and scientific awards and educational and sports awards granted by the Government of the Republic;
[RT I, 22.01.2018, 1 – entry into force 01.02.2018]
5) [repealed – RT I, 11.07.2014, 5 – entry into force 01.01.2015]

6) gifts and donations received from a natural person, a state or municipal authority, a resident legal person, or from a non-resident through or on the account of a permanent establishment located in Estonia, and gifts and donations received from a non-resident legal person if tax is charged on the gift or donation at the level of the natural or legal person in a foreign state;
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
7) winnings from gambling organised on the basis of an operating permit or registration;
[RT I 2009, 24, 146 – entry into force 01.06.2009]
8) benefits paid to victims of crime on the basis of law;
9) the conscript's allowance paid on the basis of law and non-monetary benefits granted in connection with business on the basis of law;
10) compensation for expenses and daily allowance during an assignment abroad which are related to a sports assignment and paid to a person specified in § 7 of the Sport Act, and which are paid by an artistic association to a creative person for a business trip related to the creative activities of a creative person within the limits and in accordance with the rules specified in clause 1 of subsection 3 of § 13;
[RT I, 13.12.2011, 1 – entry into force 01.01.2012]
10^{1}) compensation for expenses related to the activities of a volunteer referee and paid on the basis of § 9^{2} of the Sport Act and the athlete grant paid on the basis of § 10^{5} of the Sport Act;
[RT I, 28.02.2020, 1 – entry into force 01.03.2020]
11) maintenance support or maintenance allowance received on the basis of the Family Benefits Act;
[RT I, 08.07.2016, 1 – entry into force 01.01.2017]
12) compensation or benefit paid on the basis of § 49 of the Civil Service Act, subsections 1 and 7 of § 196 the Military Service Act, § 61 of the Estonian Defence League Act, § 7^{53} of the Police and Border Guard Act, § 24^{2} of the Security Authorities Act, § 38 of the Assistant Police Officer Act, § 41 of the Rescue Act, § 29 of the Security Activities Act, § 44 of the Emergency Act and § 55^{1} of the National Defence Act;
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]
13) the cost of meals given to a member of the Estonian Defence League upon performing the tasks provided in subsection 1 of § 4 of the Estonian Defence League Act and upon participating in the activities provided in subsection 2 of § 4 of the Estonian Defence League Act;
[RT I, 20.03.2013, 1 – entry into force 01.04.2013]
13^{1}) the cost of meals provided free of charge on the basis of subsection 1 of § 47 of the Rescue Act and subsection 1 of § 72^{1} of the Police and Border Guard Act;
[RT I, 27.05.2022, 2 – entry into force 01.07.2022]
14) daily allowance and compensation for expenses during an assignment abroad paid to an active member of the Estonian Defence League on the basis of the Estonian Defence League Act within the limits and in accordance with the rules specified in clause 1 of subsection 3 of § 13;
[RT I, 20.03.2013, 1 – entry into force 01.04.2013]
15) the payment made for tolerating a utility network on the basis of § 15^{4} of the Law of Property Implementation Act to the extent of one seventh;
[RT I, 10.03.2022, 2 – entry into force 01.01.2024]
16) compensation for the expenses of in-service training or retraining paid to a person who has suffered permanent harm to health due to performing service duties and has therefore been released from active service on the basis of the Military Service Act;
[RT I, 17.12.2015, 2 – entry into force 01.01.2016]
17) a payment made to a person specified in subsection 4^{1} of § 49 who performs a duty assigned by an association specified in § 11 in a foreign state, which does not exceed the tax-exempt limit of daily allowance during an assignment abroad provided in clause 1 of subsection 3 of § 13 per day spent in the foreign state;
[RT I, 07.07.2017, 3 – entry into force 01.08.2017, clause 17 applied retroactively as of 1 July 2017.]
18) compensation for the expenses of the study provided in subsection 2 of § 48 of the Heritage Conservation Act and for the expenses of exercise of the heritage conservation supervision provided in subsection 3 of § 56 of the Heritage Conservation Act.
[RT I, 19.03.2019, 13 – entry into force 01.05.2019]

(4) The exemption from income tax provided in clause 3 of subsection 3 does not apply to the following benefits:
1) a benefit to a person in alternative service;
1^{1}) a benefit to a person in reserve alternative service;
[RT I, 27.01.2023, 1 – entry into force 01.04.2023]
2) a benefit to a reservist;
3) a benefit paid on the basis of the European Union Common Agricultural Policy Implementation Act.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(5) Income tax is not charged on a scholarship or grant:
1) the payment of which is provided in law or in a rural municipality or city council regulation or which is paid from the state budget;
2) which an educational institution specified in the Republic of Estonia Education Act or an equivalent educational institution of a foreign state pays to its pupils or students;
3) which is paid to students by a state or municipal research and development institution or by a research and development institution operating as a legal person in public law or as an agency of such person in connection with the teaching and scientific research of the research and development institution;

4) which is paid by a government authority of a foreign state or by a municipal authority of a foreign state or by an international or intergovernmental organisation;
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]
5) which is paid by the Education and Youth Authority.
[RT I, 16.06.2020, 1 – entry into force 01.08.2020]

(6) Income tax is not charged on a scholarship or grant paid by a person entered in the list provided in subsection 1 of § 11 or specified in subsection 10 of § 11 if the following conditions are met:
1) the scholarship or grant is paid to a person not specified in clause 3 of subsection 2 of § 11;
2) the scholarship or grant is awarded by way of a public competition about which a notice has been published in a national daily newspaper, a local newspaper, a website of the payer of a scholarship or grant or a website containing sectoral information.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(6[1]) Income tax is not charged on an athlete scholarship if it has been paid on the basis, within the limits and in accordance with the rules provided in §§ 10[1]and 10[6]of the Sport Act. A scholarship paid to an athlete by a person specified in subsection 6 of this section is also included in the aforementioned limits.
[RT I, 28.02.2020, 1 – entry into force 01.03.2020]

(7) A scholarship or grant for the purposes of this Act is a benefit targeted into the future and paid for fostering the acquisition of knowledge or skills, development of abilities and creative or scientific activities. A payment by which an activity is recognised or remunerated or by which the person making the payment acquires rights to the work is not treated as a scholarship or grant.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

§ 20. Insurance indemnities

(1) Income tax is charged on a benefit for temporary incapacity for work paid on the basis of the Health Insurance Act.

(2) Income tax is charged on benefits paid on the basis of the Unemployment Insurance Act.

(3) Income tax is charged on the amount paid to a policyholder, an insured person or a beneficiary under a unit-linked life insurance contract, from which the insurance premiums paid on the basis of the same contract have been deducted.
[RT I 2010, 34, 181 – entry into force 01.01.2024]

(3[1]) If the insurance premiums paid on the basis of a unit-linked life insurance contract have been deducted from the income of the taxpayer in the form of an insurance premium of an insurance contract for a supplementary funded pension or of an insurance contract entered into as a PEPP contract (§ 28) during one or several tax periods, the amounts are subject to taxation on the basis of § 21.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(4) Income tax is charged on an insurance indemnity paid in the event where the insured event occurred under non-life insurance conditions if the taxpayer has deducted from their business income the insurance premiums related to such insured event, the acquisition cost of the insured property, or the depreciation of fixed assets calculated on the same assets on the basis of the Income Tax Act in force before the entry into force of this Act. The insurance indemnity received is subject to taxation as gains from the sale of property (§ 37) and the amount of the insurance indemnity is deemed the selling price of the property.

(5) Income tax is not charged on insured sums and insurance indemnities not specified in subsections 1–4 or in §§ 20[1]and 21, the surrender value payable upon termination of a life insurance contract, or insurance indemnities paid in the event of death on the basis of a contract specified in subsection 3 or insurance indemnities received in the pension investment account on the basis of such contract.
[RT I, 16.12.2022, 5 – entry into force 01.01.2023, applied retroactively as of 1 January 2022]

§ 20[1]. Mandatory funded pension

(1) Income tax is charged on payments made to a policyholder and an insured person of an insurance contract for a mandatory funded pension (hereinafter *pension contract*) and from a mandatory pension fund to a unit-holder and from a pension investment account to the person using it, taking into account the special rules provided in subsections 2–4. Income tax is charged on payments made to a beneficiary of a pension contract and to other successors of the persons specified in the first sentence.
[RT I, 28.12.2020, 1 – entry into force 02.01.2021]

(2) The following are not treated as a payment:

1) the surrender value of a cancelled pension contract in the event provided in § 52^2 of the Funded Pensions Act;
2) redemption of units of a mandatory pension fund upon exchange of the units, upon entry into a pension contract pursuant to § 49 of the Funded Pensions Act or upon transfer of money to a pension investment account pursuant to clause 2 of subsection 1 of § 26 of the same Act;
3) transfer of the money in a pension investment account upon entry into a pension contract pursuant to § 49 of the Funded Pensions Act or for the acquisition of units of a mandatory pension fund pursuant to clause 1 of subsection 1 of § 26 of the same Act; or
4) transfer of money from one pension investment account to another pursuant to subsection 1 of § 26 of the Funded Pensions Act, acquisition of the financial assets provided in § 17^1 of this Act for the money in a pension investment account or exchange of the financial assets, transfer of the income earned on the financial assets to a pension investment account or transfer of money to a pension investment account upon transfer of the financial assets or upon expiry of a contract entered into upon acquisition of the financial assets.
[RT I, 27.10.2020, 1 – entry into force 01.01.2021]

(3) Income tax is not charged on payments made to:
1) a person who has been established to have no work ability or who had no work ability until the pensionable age;
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]
2) a policyholder who is at the pensionable age provided in the State Pension Insurance Act or attains this age in up to five years, on the basis of a lifetime pension contract periodically at least once every three months;
3) a unit-holder of a mandatory pension fund or to a policyholder who is at the pensionable age provided in the State Pension Insurance Act or attains this age in up to five years, as a fund pension or on the basis of a pension contract entered into for a specified term periodically at least once every three months if the fund pension has been agreed on or the pension contract has been entered into at least for the term provided in subsection 3 of § 52^3 of the Funded Pensions Act;
4) a person until the end of their life on the basis of subsection 5 of § 72^4 of the Funded Pensions Act by the Social Insurance Board.
[RT I, 27.10.2020, 1 – entry into force 01.01.2021]

(4) The payments not specified in subsection 3 which are made to a policyholder, a unit-holder and from a pension investment account to the person using it as well as the payments made on the basis of subsection 5 of § 72^4 of the Funded Pensions Act are subject to taxation at the rate provided in subsection 2 of § 4 of this Act if the recipient of the payment is at the pensionable age provided in the State Pension Insurance Act or attains this age in up to five years.
[RT I, 27.10.2020, 1 – entry into force 01.01.2021]

(5) [Repealed – RT I, 28.12.2020, 1 – entry into force 02.01.2021]

§ 21. Supplementary funded pension

(1) Income tax is charged on payments made to a policyholder and an insured person of an insurance contract for a supplementary funded pension, from a voluntary pension fund to a unit-holder, and to a PEPP saver (hereinafter *PEPP saver*) under a PEPP contract as specified in point (3) of Article 2 of Regulation (EU) 2019/1238 of the European Parliament and of the Council and to a PEPP beneficiary (hereinafter *PEPP beneficiary*) specified in point (6) of the same Article, taking into account the special rules provided in subsections 2–7 of this section. Income tax is charged on a negative change in a provision established with a view to securing a supplementary funded pension as specified in subsection 11 of § 28 and on payments made to a beneficiary of an insurance contract for a supplementary funded pension and of a PEPP contract and to other successors of the persons specified in the first sentence.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(1^1) The following are not treated as a payment:
1) a partial payment under an insurance contract for a supplementary funded pension and the surrender value of a cancelled contract which are in compliance with the conditions provided in subsection 5^2 of § 63 of the Funded Pensions Act;
[RT I, 03.12.2024, 3 – entry into force 13.12.2024]
2) a pension from an expired insurance contract for a supplementary funded pension in the event provided in subsection 5^3 of § 63 of the Funded Pensions Act;
3) the redemption of units of a voluntary pension fund upon exchange of the units or upon entry into an insurance contract for a supplementary funded pension pursuant to § 64 of the Funded Pensions Act;
4) switching the PEPP provider pursuant to Articles 52 and 53 of Regulation (EU) 2019/1238 of the European Parliament and of the Council or modifying the investment option of a PEPP contract pursuant to Article 44 of the same Regulation.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(2) Tax at the rate provided in subsection 2 of § 4 is charged on the following payments made by an insurance undertaking, who holds an activity licence issued in a Contracting State, to a policyholder on the basis of an insurance contract for a supplementary funded pension which meets the conditions provided in § 63 of the Funded Pensions Act or an equivalent insurance contract:

[RT I 2006, 28, 208 – entry into force 01.07.2006, introductory sentence part of subsection 2 applied retroactively as of 1 January 2006.]
1) payments made by the insurance undertaking after the policyholder has attained the age provided in subsection 3 of § 63 of the Funded Pensions Act, but not before five years have passed since the entry into the contract;
[RT I, 27.10.2020, 1 – entry into force 01.01.2021]
2) [repealed – RT I, 27.10.2020, 1 – entry into force 01.01.2021]
3) payments made upon liquidation of the insurance undertaking.

(2^{1}) If a partial payment under another contract or the surrender value of a cancelled contract has been used pursuant to subsection $5^{2}$of § 63 of the Funded Pensions Act for paying an insurance premium under an insurance contract for a supplementary funded pension, the five-year term is calculated as of the entry into the earlier of the above contracts. If an insurance contract for a supplementary funded pension has been entered into pursuant to § 64 of the Funded Pensions Act for the redemption price of the units of a voluntary pension fund, the five-year term is calculated as of the initial acquisition by the policyholder of the units of the voluntary pension fund if it took place earlier than the entry into the contract.
[RT I, 03.12.2024, 3 – entry into force 13.12.2024]

(3) Tax at the rate provided in subsection 2 of § 4 is charged on the following payments made to a unit-holder of a voluntary pension fund created in Estonia in accordance with the rules provided in the Funded Pensions Act or of a voluntary pension fund operating on equivalent grounds in a Contracting State:
[RT I 2006, 28, 208 – entry into force 01.07.2006, introductory sentence part of subsection 3 applied retroactively as of 1 January 2006.]
1) payments made after the unit-holder has attained the age provided in subsection 3 of § 63 of the Funded Pensions Act, but not before five years have passed since the initial acquisition of the units of the voluntary pension fund;
[RT I, 27.10.2020, 1 – entry into force 01.01.2021]
2) [repealed – RT I, 27.10.2020, 1 – entry into force 01.01.2021]
3) payments made from the voluntary pension fund upon liquidation of the pension fund.

(3^{1}) If units of a voluntary pension fund have been acquired pursuant to subsection $5^{2}$of § 63 of the Funded Pensions Act for a partial payment under an insurance contract for a supplementary funded pension or for the surrender value of a cancelled contract, the five-year term is calculated as of the entry into the contract if the unit-holder entered into the contract earlier than the initial acquisition of the units of the voluntary pension fund.
[RT I, 03.12.2024, 3 – entry into force 13.12.2024]

(3^{2}) Tax at the rate provided in subsection 2 of § 4 is charged on the following payments made to a PEPP saver and a PEPP beneficiary under a PEPP contract:
1) payments made by the PEPP provider (hereinafter *PEPP provider*) specified in point (15) of Article 2 of Regulation (EU) 2019/1238 of the European Parliament and of the Council after the PEPP beneficiary has attained the age provided in subsection 2 of § $65^{1}$of the Funded Pensions Act, but not before five years have passed since entry into the PEPP contract;
2) payments made to the PEPP saver upon liquidation of the PEPP provider.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(3^{3}) If a PEPP contract has been entered into in the course of switching the PEPP provider or modifying the investment option as provided in clause 4 of subsection 1^{1}, the five-year term is calculated as of the entry into the earlier of the above contracts.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(4) Income tax is not charged on:
1) payments made to a person who has been established to have no work ability or who had no work ability until the pensionable age;
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]
2) the pension paid after the policyholder has attained the age provided in subsection 3 of § 63 of the Funded Pensions Act on the basis of the insurance contract specified in subsection 2 of this section periodically at least once every three months until the death of the policyholder;
[RT I, 27.10.2020, 1 – entry into force 01.01.2021]
3) the pension paid and the payments from a voluntary pension fund made after the policyholder or the unit-holder has attained the age provided in subsection 3 of § 63 of the Funded Pensions Act on the basis of the insurance contract specified in subsection 2 of this section or from a voluntary pension fund periodically at least once every three months and at least until the time limit calculated on the basis of the average life expectancy of men and women rounded to full years and published by Statistics Estonia in respect of the calendar year before the previous calendar year, which corresponded to the age of the policyholder or the unit-holder at the start of payment of the pension or at the time when the payments to be made from the voluntary pension fund were agreed on;

[RT I, 28.12.2020, 1 – entry into force 02.01.2021, applied as of 01.01.2021]
4) payments under a PEPP contract made to a PEPP beneficiary after the PEPP beneficiary has attained the age provided in subsection 2 of § 65[1] of the Funded Pensions Act periodically at least once every three months until the death of the PEPP beneficiary or at least until the time limit calculated on the basis of the average life expectancy of men and women rounded to full years and published by Statistics Estonia in respect of the calendar year before the previous calendar year, which corresponded to the age of the PEPP beneficiary at the start of the payments.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(5) Income tax is not charged on insurance indemnities paid in the event of death on the basis of an insurance contract for a supplementary funded pension and an insurance contract entered into as a PEPP contract.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(6) Subsections 2, 2[1] and 4 also apply to payments made by an insurance undertaking to whom an activity licence has been issued in a state not specified in subsection 2 if both of the following conditions are met:
[RT I, 29.03.2012, 1 – entry into force 01.01.2013]
1) the insurance undertaking has the right to enter into insurance contracts for a supplementary funded pension in Estonia either on a cross-border basis or through a branch;
2) an international treaty is in force between Estonia and the state that issued the activity licence to the insurance undertaking, which provides the Tax and Customs Board with the opportunity to obtain from the tax authority of this state the information necessary for the application of the tax rate provided in subsection 2 of § 4 and the tax exemption provided in subsection 4 of this section.
[RT I, 18.02.2011, 1 – entry into force 01.01.2012]

(7) Subsections 3, 3[1] and 4 also apply to payments made to a unit-holder of a voluntary pension fund operating on equivalent grounds in a state not specified in subsection 3 if both of the following conditions are met:
1) the units of the pension fund can be offered in Estonia on a cross-border basis;
2) an international treaty is in force between Estonia and the state of the place of business of the pension fund, which provides the Tax and Customs Board with the opportunity to obtain from the tax authority of this state the information necessary for the application of the tax rate provided in subsection 2 of § 4 and the tax exemption provided in subsection 4 of this section.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

§ 22. Taxation of income of legal person located in non-cooperative jurisdiction for tax purposes

[RT I, 26.03.2021, 1 – entry into force 01.01.2022]

(1) Income tax is charged on the income of a legal person located in a non-cooperative jurisdiction for tax purposes (§ 10[1]) and controlled by Estonian residents, irrespective of whether the legal person has distributed its profit to a taxpayer or not.
[RT I, 26.03.2021, 1 – entry into force 01.01.2022]

(2) A legal person is deemed controlled by Estonian residents if one or several legal or natural persons who are Estonian residents own at least 50% of the shares, votes or rights to the profit of the legal person directly or together with associated persons (§ 8).

(3) The income of a foreign legal person is deemed to be the taxable income of a resident if the condition set out in subsection 2 is met and the resident owns at least 10% of the shares, votes or right to the profit of the legal person directly or together with associated persons (§ 8).

(4) The part of the total income of a foreign legal person specified in subsection 2 which is attributable to a resident taxpayer is deemed to be the income of the resident taxpayer. The part attributable to a taxpayer is a proportional part of the income of a legal person, which corresponds to the holding of the taxpayer in the share capital, total number of votes or right to the profit of the legal person.

(5) A taxpayer has the right to deduct, in accordance with the conditions permitted in Chapter 6, the business-related expenses incurred by a foreign legal person from the taxable income of the foreign legal person. A taxpayer has the right to deduct, in proportion to the share of the taxpayer in the income of a legal person, the part of the income tax withheld from the legal person on the basis of § 41 and the part of the home country income tax paid by the legal person in accordance with § 45 from the income tax payable by the taxpayer.

(6) A resident natural person declares in their income tax return the shares, number of votes and right to the profit of a legal person located in a non-cooperative jurisdiction for tax purposes which were held by the person in the calendar year. A resident taxpayer specified in subsection 3 adds to their taxable income the part of the income of a foreign legal person attributable to the taxpayer and declares such income in the taxpayer’s income tax return. The formats of income tax returns and the rules for declaration of the income of legal persons registered in non-cooperative jurisdictions for tax purposes are established by a regulation of the minister in charge of the policy sector.
[RT I, 26.03.2021, 1 – entry into force 01.01.2022]

(7) If a resident taxpayer has paid income tax on the income specified in subsection 1, dividends (subsection 2 of § 18) or other profit distributions received by the taxpayer on the account of the income subject to taxation in accordance with subsection 1 are later not subject to income tax.

Chapter 4
DEDUCTIONS TO BE MADE FROM INCOME OF RESIDENT NATURAL PERSON

§ 23. Basic exemption

(1) The basic exemption deductible from the income derived by a resident natural person during a tax period is 7,848 euros, taking into account subsection 2. The aforementioned basic exemption does not apply as of the tax period when a natural person attains the pensionable age.
[RT I, 16.12.2022, 5 – entry into force 01.01.2023]

(2) If the income is larger than 14,400 euros, the amount of the basic exemption is calculated pursuant to the following formula: 7,848 – 7,848 / 10,800 × (amount of income – 14,400). Thereby the basic exemption may not be smaller than zero and larger than 7,848.
[RT I, 16.12.2022, 5 – entry into force 01.01.2023]

(3) For the purposes of subsection 2, in addition to the income subject to income tax, the following are also treated as income: the income specified in subsection 1^3 of § 44 and derived during a tax period, the income specified in § 50 and not subject to additional taxation at the level of a natural person and the amount subject to taxation on the basis of the Simplified Business Income Taxation Act which has been reduced by the part of the social tax of the business income tax.
[RT I, 07.07.2017, 2 – entry into force 01.01.2018]

(4) A recipient of compensation for cancellation or release from service paid out due to lay-off on the basis of the Employment Contracts Act, the Civil Service Act or the Unemployment Insurance Act in the fourth quarter of a tax period has the right to apply for recalculation of income tax in the income tax return in respect of such compensation, which is paid for the tax period following the calendar year when the payment is made, changing respectively the tax calculation of the year of payment and that of the calendar year following it. The rules for recalculation are established by a regulation of the minister in charge of the policy sector.
[RT I, 16.12.2022, 5 – entry into force 01.01.2023]

(5) For the purposes of subsection 2 of this section, the payments specified in subsections 1 and 4 of § 20^1 and in subsections 2, 3 and 3^2 of § 21 or the income received in a pension investment account are not treated as income.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

§ 23^1. Increased basic exemption in event of provision of maintenance to child

[Repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2024]

§ 23^2. Increased basic exemption in event of pension

[Repealed – RT I, 24.12.2016, 1 – entry into force 01.01.2018]

§ 23^3. Increased basic exemption in event of compensation for accident at work or occupational disease

[Repealed – RT I, 24.12.2016, 1 – entry into force 01.01.2018]

§ 23^4. Increased basic exemption for spouse

[Repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2024]

§ 23^5. Basic exemption at pensionable age

(1) As of the tax period when a resident natural person of a Contracting State attains the pensionable age, basic exemption of 9,312 euros is deducted from the person’s taxable income derived during the tax period.
[RT I, 19.06.2024, 1 – entry into force 01.01.2025]

(2) [Repealed – RT I, 19.06.2024, 1 – entry into force 01.01.2025]

§ 24. Maintenance support

[Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

§ 25. Housing loan interest

[Repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2024]

§ 26. Training expenses

(1) A resident natural person has the right to deduct from the income derived during a tax period the training expenses paid by the person during the tax period for their own and for their descendant, sister or brother of less than 26 years of age or, if no such training expenses are incurred, the training expenses of one permanent resident of Estonia of less than 26 years of age.
[RT I 2010, 34, 181 – entry into force 01.07.2010]

(2) Training expenses are certified expenses paid for studying at a state or municipal educational institution, a university in public law, a private school holding an activity licence or registration in the Estonian Education Information System or having the right to provide instruction at the level of higher education with regard to the relevant study programme, and a foreign educational institution of an equivalent status with the aforementioned, or for studying on fee-charging courses organised by such educational institutions. Training expenses incurred by a person on the account of a dedicated scholarship or grant which is not subject to income tax on the basis of subsection 5 or 6 of § 19 or for which the person has received compensation pursuant to clause 17 of subsection 3 of § 13 or clause 16 of subsection 3 of § 19 are not deducted from income.
[RT I, 17.12.2015, 2 – entry into force 01.01.2016]

(2^1) The expenses of a learner's participation in continuing education are treated as training expenses if the person providing the education holds an activity licence for providing the continuing education or has submitted a notice of economic activities to this end and if the learner participated in the continuing education of the person providing the aforementioned continuing education the purpose of the study programme of which is to achieve a professional, occupational or vocational competence included in the study programme of formal education or described in the occupational qualification standard, or language learning. The expenses paid for participation in motor vehicle driver's training for category AM, category A, subcategory A1, subcategory A2, category B and subcategory B1 are not treated as training expenses. The expenses paid for studying at a hobby school are treated as training expenses if the person studying at the hobby school is below 18 years of age on 1 January of the calendar year of the payment of the training expenses. If, upon attaining the age of 18, the learner studying at a hobby school is enrolled in a basic school, upper secondary school or vocational educational institution, the expenses paid for the learner's studies at the hobby school continue to be treated as training expenses until the end of the corresponding formal education or until the learner is excluded from the list of the school.
[RT I, 17.04.2024, 2 – entry into force 27.04.2024, applied retroactively as of 1 January 2024.]

(3) [Repealed – RT I 2009, 54, 362 – entry into force 01.01.2010]

(4) [Repealed – RT I 2009, 54, 362 – entry into force 01.01.2010]

§ 27. Gifts and donations

[RT I 2009, 54, 362 – entry into force 01.01.2010]

(1) A resident natural person has the right to deduct from the income derived during a tax period the certified gifts and donations made during the tax period to an association which has been entered in the list specified in subsection 1 of § 11 or to an association which has been specified in subsection 10 of § 11.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(2) [Repealed – RT I 2009, 54, 362 – entry into force 01.01.2010]

(3) [Repealed – RT I, 30.06.2015, 1 – entry into force 01.01.2016]

(4) The gifts and donations specified in subsection 1 may be made in monetary or non-monetary form. The cost of a non-monetary gift or donation is the market price of the property and, in the event of sale of the property at a preferential price, the cost of the gift or donation is the difference between the market price and selling price of the property. A service provided free of charge or at a price lower than the market price is not treated as a gift or a donation and its cost is not deducted from income.
[RT I 2006, 28, 208 – entry into force 01.01.2007]

§ 28. Insurance premiums and acquisition of pension fund units

[RT I 2004, 37, 252 – entry into force 01.05.2004]

(1) A resident natural person has the right to deduct the following from the income derived by the person during a tax period:

1) the part of the insurance premiums paid to an insurance undertaking holding an activity licence issued in a Contracting State during the tax period on the basis of an insurance contract for a supplementary funded pension which complies with the conditions of § 63 of the Funded Pensions Act or an equivalent insurance contract, the purpose of which is to ensure payment of the insured sum as a pension, except in the events provided in subsections 5^{2} and 5^{3} of § 63 and in § 64 of the same Act;
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]
2) the amounts paid to acquire units of a voluntary pension fund created in Estonia in accordance with the rules provided in the Funded Pensions Act or of a voluntary pension fund operating on equivalent grounds in a Contracting State, except in the events provided in § 55 and in subsections 5^{2} and 5^{3} of § 63 of the same Act;
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]
3) aggregate contributions to a PEPP contract except for the amount transferred to the contract in the course of modifying the investment option pursuant to Article 44 or switching the PEPP provider pursuant to Articles 52 and 53 of Regulation (EU) 2019/1238 of the European Parliament and of the Council.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(1^{1}) The principles of calculation of the part of the insurance premiums specified in clause 1 of subsection 1 and in subsection 1^{3} are established by a regulation of the minister in charge of the policy sector. A negative change which occurs in a technical provision established on the basis of an insurance contract with a view to securing a pension and arises from the deduction of the amounts charged for insurance covers not specified in § 63 of the Funded Pensions Act or in Article 58 of Regulation (EU) 2019/1238 of the European Parliament and of the Council is added to the taxable income of a natural person.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(1^{2}) In the event of an insurance undertaking or a voluntary pension fund operating in a state not specified in subsection 1, the amounts specified in subsection 1 may be deducted from the income derived during a tax period if both of the following conditions are met:
1) the insurance undertaking has the right to enter into insurance contracts for a supplementary funded pension in Estonia either on a cross-border basis or through a branch or the units of the pension fund can be offered in Estonia on a cross-border basis;
2) an international treaty is in force between Estonia and the state that issued the activity license to the insurance undertaking or the state of the place of business of the pension fund, which provides the Tax and Customs Board with the opportunity to obtain from the tax authority of this state the information specified in subsections 4 and 5 of § 57^{1}.
[RT I, 18.02.2011, 1 – entry into force 01.01.2012]

(1^{3}) In clause 3 of subsection 1, the aggregate contributions to an insurance contract entered into as a PEPP contract are deemed to include only the part of the insurance premiums paid on the basis of such contract the purpose of which is to ensure payment of the insured sum as a pension.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(2) The amounts specified in subsection 1 may be deducted to the extent of up to 15% of the taxpayer’s income taxable in Estonia for the same tax period, from which the deductions permitted in Chapter 6 have been made, but no more than 6,000 euros. If the above amounts have also been paid for the taxpayer by the employer pursuant to clause 15 of subsection 3 of § 13, the limits specified in the previous sentence are reduced by the amounts paid by the employer, on which income tax has not been charged.
[RT I, 18.02.2011, 1 – entry into force 01.01.2012]

(3) [Repealed – RT I 2006, 28, 208 – entry into force 01.01.2007]

§ 28^{1}. Mandatory social security contributions

(1) Contributions to a mandatory funded pension withheld pursuant to clauses 1 and 2 of subsection 1 of § 11 of the Funded Pensions Act and calculated and paid pursuant to subsection 2 of § 11 of the Funded Pensions Act are deducted from the income derived by a resident natural during a tax period.

(2) Unemployment insurance premiums withheld on the basis of the Unemployment Insurance Act are deducted from the income derived by a resident natural person during a tax period.

(3) A resident natural person has the right to deduct the social security taxes and contributions paid in a foreign state during a tax period, the payment of which was mandatory arising from legislation of the foreign state or an international treaty, from the income derived by the person during the tax period. A tax or contribution may be deducted from income if the purpose of payment thereof was to ensure pension, health, maternity, unemployment, accident at work or occupational disease insurance to the person.

(4) A tax or contribution paid on the account of income not subject to income tax in Estonia is not deducted from income.

[RT I 2006, 28, 208 – entry into force 01.01.2007]

§ 28². Limit on deductions to be made from income

(1) The deductions provided in §§ 26 and 27 may be made during a tax period in total in the amount of up to 1,200 euros per taxpayer, but no more than to the extent of 50% of the taxpayer's income taxable in Estonia for the same tax period, from which the business-related deductions have been made.
[RT I, 30.06.2023, 107 – entry into force 01.01.2024]

(1¹) If the deductions specified in § 26 exceed the limits provided in subsection 1, the part of the deductions remaining unused may, taking into account the specified limits, be deducted from their taxable income by the taxpayer's spouse or registered partner if the proprietary relationship of the spouses or registered partners in force during the tax period was jointness of property.
[RT I, 06.07.2023, 6 – entry into force 01.01.2024]

(2) [Repealed – RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(3) [Repealed – RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(4) The deductions provided in §§ 23–28¹may not be made from the remuneration subject to taxation on the basis of subsection 5 or 6 of § 13.
[RT I, 28.02.2020, 2 – entry into force 01.07.2020]

§ 28³. Making deductions from income of resident of Member State of European Union

[Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

Chapter 5
TAXATION OF INCOME OF NON-RESIDENT

§ 29. Taxable income of non-resident

(1) Income tax is charged on income derived by a non-resident natural person from employment in Estonia (subsections 1 and 1¹of § 13) if the employer of the person is an Estonian state or municipal authority, a resident, a non-resident operating as an employer in Estonia, or a non-resident through or on the account of a permanent establishment (§ 7) located in Estonia, or if the person has stayed in Estonia for the purpose of employment for at least 183 days within 12 consecutive calendar months. If a non-resident who receives remuneration on the basis of a contract under the law of obligations has been entered in the commercial register in Estonia as a sole proprietor and such remuneration is business income of the non-resident, the income is subject to taxation on the basis of subsection 3.
[RT I, 10.07.2020, 4 – entry into force 01.01.2021]

(1¹) Income tax is charged on the remuneration received by a non-resident natural person for employment on aircraft engaged in international transport or ship engaged in international carriage of goods or passengers by sea if the employer of the person or operator of such aircraft or ship is the person specified in subsection 1.
[RT I, 04.03.2019, 1 – entry into force 01.07.2020, date of entry into force changed [RT I, 28.02.2020, 2]]

(1²) Tax at the rate specified in subsection 6 of § 4 is charged on the remuneration paid to a non-resident crew member if the remuneration has been received for employment on a ship that meets the conditions specified in subsection 5 or 6 of § 13.
[RT I, 28.02.2020, 2 – entry into force 01.07.2020]

(1³) If a non-resident natural person performs employment duties in Estonia in the form of temporary agency work at a user undertaking that is an Estonian state or municipal authority, a resident, a non-resident operating as an employer in Estonia, or a non-resident through its permanent establishment located in Estonia, the user undertaking is treated as the employer of the person for the purposes of subsection 1 of this section.
[RT I, 10.07.2020, 4 – entry into force 01.01.2021]

(1⁴) Income tax is charged on the remuneration paid to a non-resident on the basis of § 5²of the Working Conditions of Employees Posted to Estonia Act.
[RT I, 10.07.2020, 4 – entry into force 01.01.2021]

(2) Income tax is charged on the income derived by a non-resident for performing the official duties of a member of a management or controlling body of a resident legal person (§ 9) or of a member of a managing body of a non-resident's permanent establishment located in Estonia.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(3) Income tax is charged on the income derived by a non-resident from business conducted in Estonia (§ 14). If the non-resident is a legal person located in a non-cooperative jurisdiction for tax purposes (§ 10^{1}), income tax is charged on all income derived by the non-resident from the provision of a service to an Estonian resident, irrespective of where the service was provided or used.
[RT I, 26.03.2021, 1 – entry into force 01.07.2021]

(4) Income tax is charged on the gains derived by a non-resident from the transfer of property (subsection 1 of § 15) if
1) the sold or exchanged immovable is located in Estonia; or
2) the movable subject to entry in a register had been registered with an Estonian register until the transfer; or
2^{1}) the timber felled on an immovable located in Estonia was transferred; or
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]
3) [repealed – RT I 2006, 28, 208 – entry into force 01.01.2007]
4) the transferred real right or right of claim was related to an immovable or a construction work as a movable, which is located in Estonia; or
5) a holding was transferred or returned in a company, in a common investment fund or in another pool of assets, of whose assets more than 50% accounted, at the time of the transfer or return or during any period within the two years preceding it, directly or indirectly for immovables or construction works as movables located in Estonia and in which the non-resident had a holding of at least 10 per cent at the time the transaction was made;
[RT I, 14.02.2013, 1 – entry into force 01.01.2014]
6) the gains were derived upon liquidating a public limited fund, a common investment fund or another pool of assets on the conditions specified in clause 5 of this subsection.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(4^{1}) Income tax is not charged on the part of the gains derived upon returning a holding as specified in clause 5 of subsection 4 or upon liquidating an investment fund as specified in clause 6 of the same subsection if the income of the investment fund constituting the basis therefor is subject to income tax pursuant to the provisions of Chapter 5^{1}or exempt from income tax pursuant to subsection 2 of § 31^{2}.
[RT I, 14.02.2013, 1 – entry into force 01.01.2014]

(4^{2}) A non-resident natural person has the right to deduct from the gains derived upon transferring or returning securities in the event specified in clause 5 of subsection 4 or upon liquidating a common investment fund in the event specified in clause 6 of the same section and to carry forward to subsequent tax periods the loss incurred upon transferring or returning such securities or upon liquidating a common investment fund on the conditions provided in § 39.
[RT I, 04.05.2016, 2 – entry into force 01.01.2017]

(5) Income tax is charged on the payments specified in subsections 2 and 3 of § 15 which a non-resident received from a resident legal person.

(5^{1}) [Repealed – RT I 2008, 51, 286 – entry into force 01.01.2009]

(6) Income tax is charged on the income from rent and royalties received by a non-resident (§ 16) if
1) [repealed – RT I, 30.06.2015, 1 – entry into force 01.01.2016]
2) the income from rent is derived from an object which has been or must be entered in an Estonian register; or
[RT I, 30.06.2015, 1 – entry into force 01.01.2016]
3) [repealed – RT I 2006, 28, 208 – entry into force 01.01.2007]
4) the payer of the consideration specified in subsection 2 or 3 of § 16 is the Estonian state, a municipality, a resident or a non-resident through or on the account of its permanent establishment located in Estonia.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
5) [repealed – RT I 2006, 28, 208 – entry into force 01.01.2007]

(7) Income tax is charged on the interest received by a non-resident in connection with a holding in a common investment fund or in another pool of assets, of whose assets more than 50% accounted, at the time of the payment of the interest or during any period within the two years preceding it, directly or indirectly for immovables or construction works as movables located in Estonia and in which the non-resident had a holding of at least 10 per cent at the time the interest was received. Income tax is not charged on interest if the income of the investment fund constituting the basis therefor is subject to income tax pursuant to the provisions of Chapter 5^{1}or exempt from income tax pursuant to subsection 2 of § 31^{2}.
[RT I, 14.02.2013, 1 – entry into force 01.01.2014]

(7^{1}) [Repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(8) [Repealed – RT I 2008, 51, 286 – entry into force 01.01.2009]

(9) Income tax is charged on pensions, scholarships and grants, cultural, sports and scientific awards, allowances, aids, and gambling winnings paid to a non-resident on the conditions provided in § 19 by the Estonian state, a municipality, a resident or a non-resident through or on the account of a permanent establishment located in Estonia, and benefits paid on the basis of the Family Benefits Act. Income tax is charged on the insurance indemnities paid to a non-resident on the conditions provided in §§ 20–21 of this Act by the Estonian Health Insurance Fund, the Estonian Unemployment Insurance Fund or a resident insurance company, or through or on the account of a non-resident insurance company's permanent establishment located in Estonia, and on payments made from a pension fund registered in Estonia and from a pension investment account as well as on payments made by the Social Insurance Board on the basis of subsection 5 of § 72^4 of the Funded Pensions Act.
[RT I, 11.03.2023, 9 – entry into force 01.04.2023]

(9^1) In the event of a PEPP contract, income tax is charged on the payments made to a non-resident on the conditions provided in § 21 of this Act by a PEPP provider from an Estonian sub-account specified in point (23) of Article 2 of Regulation (EU) 2019/1238 of the European Parliament and of the Council.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(10) Income tax is charged on the remuneration paid to a non-resident artist or athlete in connection with their performance or competition in Estonia or the presentation of their works in Estonia. Income tax is also charged on the remuneration paid to a non-resident third party for the activities carried out by a resident or non-resident artist or athlete in Estonia.

(11) The income provided in this section and derived by a foreign association of persons or pool of assets (except for common investment fund) without the status of a legal person, which pursuant to the law of the state of foundation or establishment thereof is not treated as a legal person for income tax purposes, is subject to taxation as income of the partners or members of such association or as income of the co-owners of the pool of assets in proportion to its holding, voting right or share in the common ownership. The income specified in this section and derived by a limited partnership fund and by such foreign legal person, which pursuant to the law of the state of foundation thereof is not treated as a legal person for income tax purposes, is subject to taxation as the income of a non-resident in proportion to its share in the limited partnership fund or holding or voting right in the person.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(12) The gains specified in clauses 5 and 6 of subsection 4 and derived by a limited partnership fund and a legal person specified in subsection 11 are subject to taxation as gains of a non-resident partner in proportion to its share in the limited partnership fund, or holding or voting right in the legal person specified in subsection 11, regardless of the amount of its indirect holding in a company, investment fund or another pool of assets specified in clause 5 of subsection 4, if the limited partnership fund or the legal person specified in subsection 11 had a holding of at least 10 per cent therein at the time the transaction specified in clause 5 or 6 of subsection 4 was made.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(13) If the partners or members of an association or a legal person, or the co-owners of a pool of assets specified in subsection 11 are not known or if their tax residence is not proved, the income is attributed to the association, the legal person or the pool of assets, and income tax is withheld and paid on the payments made thereto and income is declared pursuant to the provisions applicable to a non-resident. If an association or pool of assets without the status of a legal person is located in a non-cooperative jurisdiction for tax purposes, income tax is withheld pursuant to the provisions applicable to a legal person located in a non-cooperative jurisdiction for tax purposes.
[RT I, 26.03.2021, 1 – entry into force 01.07.2021]

§ 30. Non-residents whose income is not subject to income tax

(1) Income tax is not charged on income received for performing official duties in Estonia by a diplomatic or consular representative of a foreign state, a representative of a special mission or a member of a diplomatic delegation, a member of a representation of an international or intergovernmental organisation, or a person employed by such representation, who is not a citizen or a permanent resident of Estonia.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(2) The persons specified in subsection 1 are registered with the Ministry of Foreign Affairs. The rules for registration are established by a regulation of the minister in charge of the policy sector.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

§ 31. Income of non-resident not subject to income tax

(1) Income tax is not charged on the following income of a non-resident:
1) the accepted estate;
2) the property returned in the course of ownership reform;
3) the fee and compensation paid for the acquisition, including expropriation, and establishment of compulsory possession on the basis of the Acquisition of Immovables in Public Interest Act as well as the income and compensation received from the exchange of immovables and land consolidation carried out on the basis of the same Act;

[RT I, 29.06.2018, 1 – entry into force 01.07.2018]
3[1]) the compensation received in the course of a land consolidation operation;
[RT I, 29.06.2018, 1 – entry into force 01.07.2018]
4) income from the sale of a movable in personal consumption;
4[1]) gains from the transfer of an immovable on the conditions provided in subsections 5 and 6 of § 15;
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
5) [repealed – RT I, 14.02.2013, 1 – entry into force 01.01.2014]
6) [repealed – RT I 2006, 28, 208 – entry into force 01.01.2007]
7) the compensations for expenses and daily allowance during an assignment abroad which are specified in clauses 1–1[4] of subsection 3 of § 13 on the conditions and within the limits specified in the same clauses;
[RT I, 30.06.2015, 1 – entry into force 01.01.2016]
8) the compensations specified in clauses 2 and 2[1] of subsection 3 of § 13 on the conditions and within the limits specified in the same clauses;
9) the income specified in clauses 9–11 of subsection 4 of § 15;
10) the income that a non-resident insurance undertaking who does not have a permanent establishment in Estonia derives from the assets constituting the underlying assets of a unit-linked life insurance contract if, pursuant to the contract, the insurance undertaking has an obligation to the policyholder, the insured person or a beneficiary at least to the value of the underlying assets.
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]

(2) [Repealed – RT I 2004, 45, 319 – entry into force 27.05.2004]

(3) [Repealed – RT I 2004, 45, 319 – entry into force 27.05.2004]

(4) Income tax is not charged on royalty (§ 16) paid by a resident company or through or on the account of a permanent establishment of a resident company of a Member State of the European Union or the Swiss Confederation registered in Estonia if the condition specified in clause 1 and at least one of the conditions specified in clauses 2–4 is met:
1) the recipient of the royalty is a resident company of another Member State of the European Union or the Swiss Confederation either directly or through its permanent establishment registered in another Member State of the European Union or in the Swiss Confederation;
2) the company receiving the royalty owns at the time of payment of the royalty and has owned during a period of two years or more immediately preceding it at least 25% of the share capital of the company paying the royalty;
3) the company paying the royalty owns at the time of payment of the royalty and has owned during a period of two years or more immediately preceding it at least 25% of the share capital of the company receiving the royalty;
4) one and the same resident company of the European Union or of the Swiss Confederation owns at the time of payment of the royalty and has owned during a period of two years or more immediately preceding it at least 25% of the share capital of the company paying the royalty and the company receiving the royalty.
[RT I 2006, 28, 208 – entry into force 01.07.2006, subsection 4 applied retroactively as of 1 January 2006.]

(5) The tax exemption specified in subsection 4 does not apply to the part of royalty which exceeds the value of similar transactions made between non-associated persons.

§ 31[1]. Deductions from income of non-resident natural person

(1) Unemployment insurance premiums withheld on the basis of the Unemployment Insurance Act are deducted from the income derived by a non-resident natural person during a tax period.

(2) A resident natural person of a Contracting State who has received taxable income in Estonia may make the deductions provided in Chapter 4 from their income taxable in Estonia.
[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(3) [Repealed – RT I, 28.12.2018, 44 – entry into force 01.01.2019]

(4) [Repealed – RT I, 23.12.2019, 2 – entry into force 01.01.2020]

Chapter 5[1]
TAXATION OF INCOME OF COMMON INVESTMENT FUND AND PUBLIC LIMITED FUND

[RT I, 31.12.2016, 3 - entry into force 10.01.2017]

§ 31^2. Gains from transfer of property

(1) Income tax is charged on gains derived from the transfer of property by a common investment fund and a public limited fund if:
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]
1) the transferred immovable is located in Estonia; or
2) the transferred real right or right of claim was related to an immovable or a construction work as a movable, which is located in Estonia; or
3) a holding was transferred or returned in a company, in a common investment fund or in another pool of assets, of whose assets more than 50% accounted, at the time of the transfer or return or during any period within the two years preceding it, directly or indirectly for immovables or construction works as movables located in Estonia and in which the transferor had a holding of at least 10 per cent at the time the transaction was made; or
4) the gains were derived upon liquidating a company, a common investment fund or another pool of assets specified in clause 3 on the conditions specified in the same clause.

(2) Income tax is not charged on the part of the gains derived upon returning a holding as specified in clause 3 of subsection 1 or in the event of liquidation specified in clause 4 of the same subsection if the income constituting the basis therefor is subject to income tax pursuant to the provisions of this Chapter or at the level of the company that redeemed the holding or paid the liquidation proceeds pursuant to subsection 2 of § 50.
[RT I, 14.02.2013, 1 – entry into force 01.01.2014]

§ 31^3. Income from rent

Income tax is charged on the income from rent derived by a common investment fund and a public limited fund from the membership in a building association founded in Estonia, an apartment ownership located in Estonia, an immovable located in Estonia or a restricted real right related thereto.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

§ 31^4. Interest

(1) Income tax is charged on interest which a common investment fund or a public limited fund received in connection with a holding in a common investment fund or in another pool of assets, of whose assets more than 50% accounted, at the time of the payment of the interest or during any period within the two years preceding it, directly or indirectly for immovables or construction works as movables located in Estonia and in which the recipient of the interest had a holding of at least 10 per cent at the time the interest was paid.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(2) Income tax is not charged on the interest specified in subsection 1 if the income of the investment fund constituting the basis therefor is subject to income tax pursuant to the provisions of this Chapter or exempt from income tax pursuant to subsection 2 of § 31^2.
[RT I, 14.02.2013, 1 – entry into force 01.01.2014]

§ 31^5. Investment fund whose income is not subject to income tax

Sections 31^2–31^4 do not apply to:
1) a pension fund established in Estonia;
2) a pension fund established in another Contracting State which is subject to financial supervision and the prudential requirements applying to which or to the fund manager thereof are at least as stringent as those provided for a fund manager of a pension fund in the Investment Funds Act;
[RT I, 14.02.2013, 1 – entry into force 01.01.2014]
3) an investment fund registered in accordance with the rules provided in Articles 5–7 of Regulation (EU) 2019/1238 of the European Parliament and of the Council as a PEPP specified in point (2) of Article 2 of the same Regulation.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

§ 31^6. Certification of tax exemption of unit-holder

The fund manager of a common investment fund established in Estonia, and a public limited fund founded in Estonia are required, at the request of a unit-holder or a shareholder, to give a certificate concerning the income, which constituted the basis for payment made to the unit-holder or shareholder upon redeeming a unit or a share, upon liquidating the fund or made as interest and is subject to income tax pursuant to the provisions of this Chapter or exempt from income tax pursuant to subsection 2 of § 31^2, by the fifth day of the calendar month that followed making the payment.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

Chapter 6
DEDUCTIONS TO BE MADE FROM BUSINESS INCOME

§ 32. Business expenses

(1) All certified business-related expenses incurred by a taxpayer during a tax period may be deducted from the taxpayer's business income.

(2) Expenses are related to business if they have been incurred for the purposes of deriving business income subject to taxation or if they are necessary or appropriate for maintaining or developing such business and the relationship of the expenses with business is clearly justified. All reasonable and necessary expenses incurred by the employer to create and ensure a safe working environment for health and to comply with occupational health and safety requirements, including to perform the obligations arising from the Occupational Health and Safety Act, are also related to business.
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]

(3) If the expenses incurred by a taxpayer are only in part related to business, the expenses may be deducted from business income only to the extent related to business.

(4) A sole proprietor may additionally deduct up to 5,000 euros during a tax period from their income derived from the transfer of self-produced agricultural products after the deductions specified in subsection 1 have been made.
[RT I, 28.12.2020, 1 – entry into force 02.01.2021, applied as of 01.01.2021]

(4^1) A sole proprietor may additionally deduct up to 5,000 euros during a tax period from their income derived from the transfer of timber felled from an immovable belonging to the sole proprietor and from the transfer of the right to cut the standing crop growing there as well as Natura 2000 support for private forest land after the deductions specified in subsection 1 have been made.
[RT I, 21.04.2020, 1 – entry into force 01.05.2020, applied retroactively as of 1 January 2020]

(5) [Repealed – RT I, 28.12.2020, 1 – entry into force 02.01.2021, applied as of 01.01.2021]

(6) The expenses incurred by a sole proprietor for improving their own health and the certified expenses incurred in connection with the personal meals of the sole proprietor during temporary engagement in business in a foreign state on the conditions provided in subsections 4 and 5 of § 33 are also treated as business-related expenses.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

§ 33. Limits upon deduction of expenses

(1) The certified expenses incurred in connection with the provision of meals, accommodation, transport or entertainment upon receiving guests or co-operation partners may be deducted from the business income of a tax period in an amount not exceeding 2% of the business income after the deductions permitted in subsections 1 and 4 of § 32 have been made. In addition, such expenses may be deducted from the business income of a tax period to the extent of up to 32 euros per calendar month.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

(2) The expenses incurred upon granting fringe benefits may be deducted from business income only after the income tax prescribed in § 48 has been paid.

(3) Expenses of goods delivered or a service provided for advertising purposes may be deducted from the business income of a tax period if the value of the goods or service without value added tax is up to 10 euros.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

(4) The expenses incurred by a sole proprietor for improving their own health may be deducted from the business income of a tax period in accordance with the conditions provided in subsection $5^5$of § 48.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

(5) The certified expenses incurred in connection with personal meals during temporary engagement in business in a foreign state may be deducted from the business income of a tax period. The expenses of meals may be deducted from the business income of a tax period to the extent of the limits provided in clause 1 of subsection 3 of § 13. Temporary engagement in business in a foreign state is deemed to be a situation where a sole proprietor is temporarily engaged in business in a state where a substantial part of their business is not conducted.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

§ 34. Expenses not deductible from business income

The following may not be deducted from business income:
1) the income tax established by this Act, except for the income tax paid on the basis of § 48;
2) [repealed – RT I 2000, 58, 377 – entry into force 01.01.2000]
3) the fines and non-compliance levies imposed on the basis of law and interest paid on the basis of the Taxation Act, except for the interest paid on the tax arrears deferred on the basis of § 111 of the Taxation Act if the tax has not been imposed by a notice of assessment;
[RT I, 07.12.2018, 1 – entry into force 01.01.2020]
4) the cost of property seized from the taxpayer;
5) [repealed – RT I 2006, 28, 208 – entry into force 01.07.2006]
6) the environmental charge paid at an increased rate pursuant to the Environmental Charges Act, and the compensation paid for harm caused to the natural environment and to a third party by pollution or through violation of the requirements provided by law;
7) the expenses incurred on the account of benefits not subject to income tax pursuant to this Act;
8) the cost of gifts or donations, except in the event specified in subsection 3 of § 33;
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]
9) the loss (§ 37) incurred from the transfer, at a price lower than the market price, of property to a person associated with the taxpayer (§ 8) unless income tax has been paid on such loss in accordance with § 48;
10) the loss (§ 37) incurred from the transfer, at a price higher than the market price, of property purchased from a person associated with the taxpayer (§ 8);
11) gratuity and bribe;
12) the social security taxes or contributions paid in Estonia or in a foreign state in order to ensure pension, health, maternity, unemployment, accident at work or occupational disease insurance to the person if the Social Tax Act applies to the taxation of business income;
[RT I, 30.06.2015, 1 – entry into force 01.01.2017]
13) the amount paid to a natural person for providing a service and subject to taxation on the basis of the Simplified Business Income Taxation Act;
[RT I, 07.07.2017, 2 – entry into force 01.01.2018]
14) the calculated sickness benefit specified in clause 18 of § 3 of the Social Tax Act;
[RT I, 02.05.2024, 3 – entry into force 15.05.2024]
15) the expenses incurred for earning the business income specified in subsection 10 of § 14.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

§ 35. Carrying forward expenses exceeding business income

(1) If the total amount of the deductions permitted in subsections 1–3 of § 32 exceeds the business income of a taxpayer during a tax period, the amount by which expenses exceed business income (hereinafter *expenses carried forward*) may be deducted from the business income during up to ten subsequent tax periods.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

(2) If the amount of expenses carried forward exceeds the business income derived during a tax period, the expenses carried forward are deducted from the business income in part and the non-deducted part of the expenses carried forward is carried forward to subsequent tax periods.

(3) If a taxpayer incurs expenses to be carried forward during more than one tax period, such expenses are recorded in accounting documents on a yearly basis in the order in which they were incurred. Expenses carried forward, which are older than ten years, or a non-deducted part thereof may not be carried forward to subsequent tax periods.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

Chapter 7
RULES FOR CALCULATION OF TAXABLE INCOME

§ 36. Calculation of taxable income

(1) Income derived by a natural person (including business income) is taken into account for income tax purposes during the tax period when the income was received. Deductions to be made from taxable income (including business expenses) are taken into account during the tax period when they were paid. Income tax paid or withheld is taken into account during the tax period when the tax was paid or withheld.

(2) A taxpayer is required to keep accounts of their income and expenses in a manner which clearly sets out the data necessary for determining the taxable income. A taxpayer is also required to retain the documents related to income and expenses.

(3) Business income and deductions to be made therefrom are calculated in accordance with the rules provided in legislation regulating accounting insofar as this Act does not provide otherwise. The method of accounting provided in subsection 1 also applies to sole proprietors who use the accrual method of accounting.

(4) If taxable income has been received in non-monetary form, the taxpayer is deemed to have received income in the amount of the market price of the thing or pecuniary right received.

(5) Income received, deductions to be made from income, and income tax paid or withheld in foreign currency are converted into euros on the basis of the exchange rate of the European Central Bank applicable on the day when the income was received, the cost was incurred and the income tax was paid or withheld, or on the basis of the exchange rate actually used.
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]

(6) Upon declaration of bankruptcy of a natural person, separate accounts of the income and expenses subject to income tax and the income tax paid and withheld are kept in respect of the part of the tax period that preceded and the part that followed the declaration of bankruptcy.

(7) A sole proprietor specified in subsection 5 of § 14 may open one special account with a resident credit institution of a Contracting State or with a non-resident credit institution's branch registered in a Contracting State, and any increase in the amount in the account during a tax period is deducted from the business income of the same period and any decrease in the amount in the account is added to the business income of the same period. The increase in the amount in the special account during a tax period is deducted from the business income of the same tax period if the amounts accounted for as business income and the benefits and compensations received in connection with business are transferred to the special account within ten working days as of their receipt. If the increase in the amount in the special account during a tax period exceeds the business income derived by the taxpayer and the amount of benefits and compensations received in connection with business during the same tax period, from which the deductions provided in § 32 have been made, the part exceeding the aforesaid proceeds is not deducted from the business income of the tax period and the decrease in the special account as concerns this part is not added to the business income. Receipt of the business income specified in subsection 10 of § 14 in the special account is not deemed to be an increase in the amount in the special account.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

(7^1) The decrease in the amount in the special account is not added to the business income for a tax period upon transfer of the special account in the event specified in subsection 7 of § 37.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(7^2) The decrease in the amount in the special account specified in subsection 7 of this section is not added to the business income if the decrease in the amount is due to closing an existing special account and opening a new special account provided that the entire amount in the special account being closed is transferred to the new special account within ten working days as of closing the special account.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

(8) The interest paid by a credit institution for depositing money in the special account specified in subsection 7 is deemed to be business income of the account holder. Upon termination of business, the amount in the special account is added to the business income.

§ 37. Calculation of gains derived or loss incurred from transfer of property

(1) Gains or loss from the sale of property (subsection 1 of § 15) is the difference between the acquisition cost and the selling price of the property sold. Gains or loss from the exchange of property is the difference between the acquisition cost of the property subject to exchange and the market price of the property received in return by way of the exchange. A taxpayer has the right to deduct certified expenses directly related to the sale or exchange of property from the taxpayer's gains or to add such expenses to the taxpayer's loss.

(2) In the event of transfer of property the acquisition cost of which the taxpayer has deducted from their business income or which has been acquired in accordance with the rules provided in subsection 7, the selling price of the property or the market price of the property received by way of the exchange is deemed to be business income of the taxpayer.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(3) If a taxpayer has deducted from their income the depreciation of fixed assets calculated on the basis of the Income Tax Act in force earlier, gains will be calculated in the event of transfer of such fixed assets by reducing the acquisition cost of the assets by the depreciation of the assets.

(4) Upon taking the property specified in subsection 2 into personal consumption (either during engagement in business or upon termination of business), the market price of the property is added to the taxpayer's business income. Upon any future transfer of such property, the amount added to business income pursuant to this subsection is deemed to be the acquisition cost of the property.

(5) Upon taking the assets specified in subsection 3 into personal consumption (either during engagement in business or upon termination of business), the market price of the assets from which the difference between the acquisition cost and the calculated depreciation of fixed assets has been deducted is added to the taxpayer's business income. Upon any future transfer of such assets, the amount added to business income pursuant to this subsection is deemed to be the acquisition cost of the assets.

(6) If the activities of a sole proprietor have been suspended in accordance with the provisions of the Commercial Code and the activities of a notary and a bailiff have been suspended in accordance with the provisions of the Taxation Act for longer than 12 months, the property and assets specified in subsections 2 and 3 of this section are deemed to have been taken into personal consumption.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(7) If the property of a sole proprietor which formed part of the property of an enterprise is transferred or bequeathed to a person who continues the activities of the enterprise, the property is not deemed to have been taken into personal consumption. The rules for implementation of tax exemption upon transfer of property are established by a regulation of the minister in charge of the policy sector.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(8) Upon transfer of the right to cut standing crop and felled timber, certified expenses related to forest management are also deemed to be expenses related to the transfer and the taxpayer has the right to deduct the expenses from the income derived from the transfer of the right to cut standing crop and felled timber during the same tax period or three subsequent tax periods if the following conditions are met:
1) forest management is carried out for the purposes of the Forest Act;
2) in the event provided in the Forest Act, the owner of the forest has submitted a forest notification concerning the forest management activities to the Environmental Board and the Environmental Board has permitted the activities planned in the forest notification.
[RT I, 08.07.2011, 5 – entry into force 01.01.2012]

(9) The expenses incurred on the account of support not subject to income tax are not deemed to be expenses related to forest management for the purposes of subsection 8.
[RT I, 08.07.2011, 5 – entry into force 01.01.2012]

(10) The gains derived from the transfer of the right to cut standing crop and felled timber may be carried forward to up to three subsequent tax periods. The taxpayer has the right to reduce the gains carried forward by the expenses specified in subsection 8 which were incurred during this tax period.
[RT I, 08.07.2011, 5 – entry into force 01.01.2012]

(11) A natural person may additionally deduct up to 5,000 euros during a tax period from their income derived from the transfer of timber felled from an immovable belonging to the natural person and from the transfer of the right to cut the standing crop growing there as well as Natura 2000 support for private forest land after the deductions specified in subsection 8 have been made.
[RT I, 21.04.2020, 1 – entry into force 01.05.2020, applied retroactively as of 1 January 2020]

§ 38. Acquisition cost

(1) Acquisition cost is all the certified expenses incurred, including the commissions and fees paid, by a taxpayer for obtaining, improving and supplementing property.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(1^1) The acquisition cost of property received by succession is only deemed to include the expenses incurred by a successor.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(2) The acquisition cost of property acquired by way of a finance lease (leasing) is the total amount of contractual lease payments or down payments, without interest.

(3) The acquisition cost of a self-made thing is the amount of the certified expenses incurred for making the thing.

(4) The acquisition cost of property acquired for the privatisation vouchers issued to a natural person by the state or received by succession or from their spouse, parent or child is deemed to be the average selling price of the privatisation vouchers as quoted on the stock exchange on the day when the property was acquired. The acquisition cost of property acquired before privatisation vouchers came to be quoted on the stock exchange is deemed to be the average local selling price of the privatisation vouchers on the date when the property was acquired.

(5) The acquisition cost of a holding (shares, contributions) acquired as a result of a merger, division or transformation of companies or non-profit co-operatives is deemed to be the acquisition cost of a holding in the company or non-profit co-operative which is merging, being acquired, divided or transformed, or contributions made to acquire such holding, to which additional contributions made during the merger, division or transformation have been added, and from which payments received have been deducted.

(5^1) The acquisition cost of a holding (shares, contributions) acquired by way of a non-monetary contribution is equal to the acquisition cost of the property which constituted the non-monetary contribution. If the acquisition cost of the thing or pecuniary right which constituted a non-monetary contribution has previously been deducted from the business income of a natural person and income tax has not been charged on it as property taken into personal consumption, the acquisition cost of the holding is deemed to be zero. The provisions of the previous sentence also apply to membership in a non-profit association if the joining and membership fee paid to the association has been deducted from the business income.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(5^2) Additional contributions made are added to and payments received are deducted from the acquisition cost determined pursuant to subsection 5^1. Upon calculation of acquisition cost, the performance of work or provision of a service is not considered a non-monetary contribution.

(6) The acquisition cost of securities of the same class which have been acquired at different prices and different times must be calculated by consistently applying one of the following methods:
1) FIFO – the transfer takes place in the order of purchase; or
2) the weighted average method – the acquisition cost of one transferred security is found by dividing the amount of the acquisition costs of securities of the same class existing at the time of the transfer by the number of securities of the same class.

(6^1) The acquisition cost of securities may be increased by the fee related to the use of a securities account.
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]

(6^2) The acquisition cost of crypto-assets may be increased by the fee related to the use of a trading platform for crypto-assets.
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]

(6^3) The acquisition cost of a loan receivable, a security or a holding acquired through a crowdfunding service provider may be increased by the fee for the use of a crowdfunding service platform.
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]

(7) If, in the event of a transaction of sale of property with the obligation or right to repurchase the property within a specified term and at a specified price (repo agreement), the repurchase price of the property is higher than its selling price, the selling price of the property sold by way of the repo agreement is deemed to be the acquisition cost of the repurchased property.

(8) The acquisition cost of property on which income tax is charged on the basis of §§ 48–50 or in a foreign state is increased by the amount of the income tax charged.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(9) Upon exchanging units or shares of an investment fund as specified in clause 11 of subsection 4 of § 15 of this Act, the acquisition cost of the units or shares of the investment fund which are transferred in the course of the exchange is deemed to be the acquisition cost of the acquired units or shares.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

§ 39. Calculation of loss incurred from financial assets

[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]

(1) A resident natural person has the right to deduct the loss incurred from the transfer of securities during a tax period from the gains derived from the transfer of securities during the same period. The gains derived and loss incurred in connection with a security in the events provided in subsections 1–3^1 of § 15 are treated as the gains derived and loss incurred from the transfer of the security. The loss incurred from the transfer of securities at a price lower than the market price to a person associated with the taxpayer (§ 8) or from the transfer of securities acquired from such person at a price higher than the market price or from the cessation of validity of securities for the benefit of a person associated with the taxpayer on the conditions different from the market conditions or from the transfer of securities acquired for the money held in an investment account specified in § 17^2 is not deducted.
[RT I, 14.02.2013, 1 – entry into force 01.01.2014]

(1^1) If the security granting the right to receive a dividend was acquired within 30 days before the day when the persons with the right to receive a dividend were specified and was transferred on the day when the persons with the right to receive a dividend were specified or within 30 days after such day, the loss incurred from the transfer of such security is not deducted from the gains derived from the transfer of other securities.
[RT I 2006, 28, 208 – entry into force 01.07.2006]

(1^2) A resident natural person has the right to deduct from the gains derived during a tax period from the transfer of a loan receivable acquired through a crowdfunding platform managed by a crowdfunding service provider specified in clause 9 of subsection 2 of § $17^1$the loss incurred from the transfer of the loan receivable during the same period as well as the loss incurred in connection with a loan receivable which the crowdfunding service provider has assessed as uncollectible during the same tax period.
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]

(1^3) A resident natural person has the right to deduct the loss incurred from the transfer of crypto-assets during a tax period from the gains derived from the transfer of crypto-assets acquired through the crypto-asset service provider specified in clause 10 of subsection 2 of § 17^1or from the issuer of crypto-assets specified in the same clause during the same period.
[RT I, 03.12.2024, 1 – entry into force 01.01.2025]

(1^4) Subsections $1^2$and 1^3do not apply in the event of the loss incurred from the financial assets acquired for the money held in an investment account specified in § 17^2.
[RT I, 03.12.2024, 1 – entry into force 01.01.2025]

(2) If the loss specified in subsection 1 exceeds the gains specified in the same subsection, the part of the loss exceeding the gains may be deducted from the gains specified in subsections $1^2$and 13. If the loss specified in subsection 1^2exceeds the gains specified in the same subsection, the part of the loss exceeding the gains may be deducted from the gains specified in subsections 1 and 1^3. If the loss specified in subsection 1^3exceeds the gains specified in the same subsection, the part of the loss exceeding the gains may be deducted from the gains specified in subsections 1 and 1^2. The amount of loss specified in subsections 1, $1^2$and 1^3which exceeds the amount of gains specified in the same subsections is not deducted from the taxable income of the tax period.
[RT I, 03.12.2024, 1 – entry into force 01.01.2025]

(3) If the loss incurred from the financial assets specified in subsections 1, $1^2$and 1^3exceeds the gains derived from the financial assets during the same tax period, the part by which the loss exceeds the gains may be deducted from the gains derived from the financial assets during subsequent tax periods.
[RT I, 03.12.2024, 1 – entry into force 01.01.2025]

(4) If the amount of loss incurred during a tax period and carried forward from previous tax periods exceeds the gains derived from the financial assets specified in subsections 1, $1^2$and 1^3during the tax period, the loss is only covered to the extent of the gains of the tax period and the remaining uncovered loss is carried forward to subsequent tax periods.
[RT I, 03.12.2024, 1 – entry into force 01.01.2025]

§ 39^1. Calculation of rent

Twenty per cent is deducted in the income tax return from the rent received on the basis of a residential lease contract for the purposes of the Law of Obligations Act (subsection 1 of § 16) for covering the expenses related to the lease.
[RT I, 30.06.2015, 1 – entry into force 01.01.2016]

Chapter 8
WITHHOLDING OF INCOME TAX

§ 40. Withholding agent for income tax

(1) A withholding agent for income tax is a resident legal person, a state or municipal authority, a sole proprietor, an employer who is a natural person, or a non-resident with a permanent establishment or operating as an employer in Estonia, who makes payments subject to income tax pursuant to Chapters 3, 5 and $5^1$of this Act to a natural person, a non-resident, a public limited company or a common investment fund.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(2) A withholding agent is required to withhold income tax on the payments listed in § 41 in accordance with the rates provided in subsection 1 of § 43. Income tax is withheld upon making a payment. Income tax is not withheld on the following payments:
1) the payments made to a resident legal person, except to a public limited fund;
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]
2) the payments made to a non-resident's permanent establishment registered in Estonia;
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
2^1) the payments made to a non-resident insurance undertaking if the insurance undertaking has notified the withholding agent that the payments constitute the income specified in clause 10 of subsection 1 of § 31;
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]

3) the payments made to a sole proprietor entered in the commercial register or in the register of a Contracting State if the payment constitutes the business income of the recipient;
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
4) the interest (subsection 1 of § 17) and insurance indemnity (subsection 3 of § 20) paid to a resident natural person if the taxpayer has notified the withholding agent that the interest or the insurance indemnity has been received on the money held in an investment account specified in § 17^2 or in a pension investment account or on the financial assets acquired therefor.
[RT I, 03.12.2024, 1 – entry into force 13.12.2024, applied retroactively as of 1 January 2024.]

(2^1) [Repealed – RT I 2003, 88, 587 – entry into force 01.01.2004]

(3) An employer who is a natural person (except for a sole proprietor) and a non-resident who operates as an employer in Estonia but does not have a permanent establishment (§ 7) in Estonia are required to only withhold income tax on the payments specified in clauses 1 and 2 of § 41.

(3^1) Income tax is not withheld on the payments specified in clause 1 of § 41 if the recipient of the payment performs their employment duty in a foreign state, and:
1) the payment is made through or on the account of a resident legal person's permanent establishment located in the foreign state; or
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
2) the withholding agent has a certificate issued by the tax authority of the foreign state stating that the recipient of the payment is a taxable person in the foreign state with regard to that income.

(3^2) A non-resident who has provided an Estonian user undertaking with temporary agency workers (subsection 1^3 of § 29) is required to withhold income tax on the remuneration payable for performing work in Estonia (subsections 1 and 11 of § 13).
[RT I, 10.07.2020, 4 – entry into force 01.01.2021]

(4) A withholding agent is required to transfer the income tax withheld to the bank account of the Tax and Customs Board no later than by the tenth day of the month following the month when the payment was made.

(5) A withholding agent is required to submit a tax return to the Tax and Customs Board by the due date specified in subsection 4. A resident in Estonia and a state or municipal authority submits the tax return electronically if it includes more than five recipients of payments. The format of the tax return and the rules for completion thereof are established by a regulation of the minister in charge of the policy sector. The amount of income tax withheld during a calendar year on the payment made to a resident natural person and indicated in the tax return is not reduced after 15 February of the year following the calendar year. A withholding agent submits the tax return specified in the first sentence of this subsection with regard to the employees employed on the basis of an employment contract or officials in a service relationship, whose employment has not been suspended in accordance with the data in the employment register.
[RT I, 07.07.2017, 3 – entry into force 01.08.2017]

(5^1) In the event of declaration of bankruptcy of a taxable person, the tax return specified in subsection 5 is submitted separately in respect of the part of the tax period that preceded and the part that followed the declaration of bankruptcy.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(6) A withholding agent is required to issue, at the request of a taxpayer, a certificate concerning the payments made to the taxpayer and the income tax withheld thereon during a calendar year, broken down by types of income and tax rates, by 1 February of the following year or, if the taxpayer quits work, together with the final settlement. The format of the certificate and the rules for completion thereof are established by a regulation of the minister in charge of the policy sector.

(6^1) A withholding agent who has paid for the taxpayer the insurance premiums of a supplementary funded pension or amounts for the acquisition of units of a voluntary pension fund during a calendar year is required to issue to the taxpayer, at the request of the taxpayer, a certificate concerning the above by 1 December of the calendar year.
[RT I, 18.02.2011, 1 – entry into force 01.01.2012]

(7) The income tax of the employees of such authorities whose staff, consolidated data or specific employment duties constitute a state secret is calculated in accordance with the rules established by a regulation of the minister in charge of the policy sector.

§ 41. Payments on which income tax is withheld

Income tax is withheld on:

1) the wages, salaries and other remuneration subject to income tax and paid to a resident natural person (subsections 1, 5 and 6 of § 13), and the remuneration paid to a member of a management and controlling body of a legal person (subsection 2 of § 13), taking into account the deduction permitted in § 42;
[RT I, 28.02.2020, 2 – entry into force 01.07.2020]
2) the wages, salaries and other remuneration paid to a non-resident (subsections 1 and 1^1 of § 29), and the remuneration paid to a non-resident member of a management and controlling body of a legal person (subsection 2 of § 29), taking into account the deduction specified in subsection 5 of § 42;
[RT I, 04.03.2019, 1 – entry into force 01.07.2020, date of entry into force changed [RT I, 28.02.2020, 2]]
3) the remuneration or service fee paid to a natural person on the basis of a contract for services, an authorisation agreement or another contract under the law of obligations (subsection 1^1 of § 13, subsection 1 of § 29);
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
4) the interest payment subject to income tax and paid to a resident natural person, a common investment fund, a public limited fund or a non-resident (subsection 1 of § 17, § 31^4 and subsection 7 of § 29);
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]
5) [repealed – RT I 2008, 51, 286 – entry into force 01.01.2009]
6) an insurance indemnity, pension, payment made on the basis of a pension contract, from a pension fund, a pension investment account and a PEPP contract, a scholarship or grant, allowance, gambling winning and benefit paid on the basis of the Family Benefits Act (subsection 2 of § 19, subsections 1–3 of § 20, subsection 1 of § 20^1, subsection 1 of § 21, subsections 9 and 9^1 of § 29) which are subject to income tax and paid to a non-resident or to a resident natural person, except for the payments specified in clause 12 and Natura 2000 support for private forest land;
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]
7) the income from rent (subsection 1 of § 16, clause 2 of subsection 6 of § 29) paid to a non-resident or to a resident natural person, and royalties paid to a resident natural person (subsections 2 and 3 of § 16);
[RT I, 30.06.2015, 1 – entry into force 01.01.2016]
7^1) the income from rent paid to a common investment fund or to a public limited fund (§ 31^3);
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]
7^2) [repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2025]
8) the royalties paid to a non-resident (clause 4 of subsection 6 of § 29);
9) the remuneration paid to a non-resident artist or athlete for the activities conducted in Estonia, and the remuneration paid to a third party who is a non-resident or a natural person for the activities conducted by an artist or athlete in Estonia (subsection 10 of § 29);
10) the remuneration paid to a non-resident for the services provided in Estonia (subsection 3 of § 29);
11) the remuneration paid to a legal person located in a non-cooperative jurisdiction for tax purposes (§ 10^1) for services provided to an Estonian resident (subsection 3 of § 29);
[RT I, 26.03.2021, 1 – entry into force 01.07.2021]
12) the payments listed in subsection 4 of § 20^1 and in subsections 2 and 3 of § 21 which are made to a natural person;
[RT I, 27.10.2020, 1 – entry into force 01.01.2021]
13) the payment of taxable income not specified in the previous clauses, except for the income specified in § 15, made to a resident natural person.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

§ 42. Deductions to be made upon withholding of income tax

(1) On the basis of a written application of a taxpayer, the amount calculated pursuant to the following formula: 654 – 654 / 900 × (payment – 1,200) is deducted in each calendar month from the payments specified in § 41, which have been made to a resident natural person of a Contracting State, before calculating the income tax to be withheld. This amount may not be smaller than zero and larger than 654. A taxpayer may prescribe in their application that a smaller amount be deducted. This subsection does not apply in the event specified in subsection 1^3.
[RT I, 16.12.2022, 5 – entry into force 01.01.2023]

(1^1) [Repealed – RT I, 24.12.2016, 1 – entry into force 01.01.2018]

(1^2) [Repealed – RT I, 24.12.2016, 1 – entry into force 01.01.2018]

(1^3) As of the tax period when a resident natural person of a Contracting State attains the pensionable age, the Social Insurance Board deducts one-twelfth of the amount specified in subsection 1 of § 23^5 from the person's pension in each calendar month, before calculating the income tax to be withheld. If the pension payable in a calendar month is less than one-twelfth of the amount provided in subsection 1 of § 23^5, the difference is deducted from the payments specified in subsection 2^1. If the pension is not paid out in a calendar month or the payments specified in subsection 2^1 are not made or the pension payable and the payments specified in subsection 2^1 are less than one-twelfth of the amount provided in subsection 1 of § 23^5, the payer deducts the difference from the payment specified in § 41, which has been made to the taxpayer, on the basis of a written application of the taxpayer.
[RT I, 22.12.2021, 5 – entry into force 01.01.2023]

(2) If a recipient of a payment receives taxable income from several withholding agents, the person may submit the application specified in subsection 1 to only one withholding agent chosen by the person, except in the events provided in subsections $2^{3}$and 24.
[RT I, 02.05.2024, 3 – entry into force 15.05.2024]

(2^{1}) Before calculating the income tax to be withheld, the part of basic exemption which has not been used upon withholding of income tax from a pension paid on the basis of law may be deducted from the mandatory funded pension payment provided in subsection 4 of § $20^{1}$of this Act. Before calculating the income tax to be withheld, the part of basic exemption which has not been used upon withholding of income tax on the payment specified in subsection 4 of § 20^{1}, which has been made on the basis of subsection 5 of § § $72^{4}$of the Funded Pensions Act, may be deducted from the other mandatory funded pension payments provided in the same subsection. Before calculating the income tax to be withheld, the part of basic exemption which has not been used upon withholding of income tax on a payment made on the basis of a pension contract provided in the Funded Pensions Act may be deducted from the payment made from a mandatory pension fund. Before calculating the income tax to be withheld, the part of basic exemption which has not been used upon withholding of income tax on a payment made from a mandatory pension fund may be deducted from the payment made from a pension investment account.
[RT I, 27.10.2020, 1 – entry into force 01.01.2021]

(2^{2}) In order to calculate basic exemption, the registrar of the pension register, the Social Insurance Board and insurance undertakings entering into pension contracts exchange data in accordance with the rules established by a regulation of the minister in charge of the policy sector.
[RT I, 26.06.2017, 1 – entry into force 06.07.2017]

(2^{3}) If a recipient of a payment receives taxable income simultaneously from the Social Insurance Board and from the payer of the emolument specified in § 13, the person may submit an application to both withholding agents. In such an event, the total basic exemption set out in the applications may not exceed one-twelfth of the amount provided in subsection 1 of § 23. The first and second sentences of this subsection do not apply to a person who has attained the pensionable age.
[RT I, 22.12.2021, 5 – entry into force 01.01.2023]

(2^{4}) Upon withholding of income tax, basic exemption is not deducted from the payments to be made on the basis of the Health Insurance Act.
[RT I, 02.05.2024, 3 – entry into force 15.05.2024]

(3) [Repealed – RT I, 24.12.2016, 1 – entry into force 01.01.2018]

(4) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(5) Before calculating the income tax to be withheld, the unemployment insurance premium withheld pursuant to clause 1 of subsection 1 of § 42 of the Unemployment Insurance Act on a payment specified in § 41, which has been made to a natural person, is deducted from the payment.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(6) Before calculating the income tax to be withheld, the contribution to a mandatory funded pension withheld pursuant to clauses 1 and 2 of subsection 1 of § 11 of the Funded Pensions Act on a payment specified in § 41, which has been made to a resident natural person, is deducted from the payment.

(7) Before calculating the income tax to be withheld, the insurance premiums of a supplementary funded pension and the amounts paid for the acquisition of units of a voluntary pension fund for a resident natural person are deducted to the extent provided in clause 15 of subsection 3 of § 13 from the amounts specified in clause 1 of § 41, which have been paid to the resident natural person. The accounting is kept in total as of the beginning of a calendar year.
[RT I, 29.03.2012, 1 – entry into force 30.03.2012]

(8) If, upon withholding of income tax, basic exemption per taxpayer has been calculated in a larger amount than that calculated pursuant to the formula set out in subsection 1 or in a larger amount than that provided in subsection 1^{3}, the Tax and Customs Board has the right to notify the withholding agent thereof.
[RT I, 22.12.2021, 5 – entry into force 01.01.2023]

(9) Subsections 1 and 1^{3}do not apply to the taxable income specified in subsection 5 or 6 of § 13.
[RT I, 22.12.2021, 5 – entry into force 01.01.2023]

§ 43. Rates of income tax to be withheld

(1) Income tax is withheld on the payments specified in § 41 in accordance with the following rates:

1) on the payments specified in clauses 1–7^1, 11 and 13 pursuant to subsection 1 of § 4;
[RT I, 14.02.2013, 1 – entry into force 01.01.2014]
1^1) [repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2025]
2) on the payments specified in clauses 8–10 and in clause 12 – 10%.
[RT I 2008, 51, 286 – entry into force 01.01.2009]
3) [repealed – RT I 2008, 51, 286 – entry into force 01.01.2009]

(2) If an international treaty prescribes lower rates for withholding of income tax on a payment made to a non-resident than the rates set out in subsection 1, such rates apply if the withholding agent submits a document certifying the recipient of income and the tax residence thereof to the Tax and Customs Board together with the tax return specified in subsection 5 of § 40. The document need not be submitted if data on the recipient of income and on the tax residence thereof have been entered in the register of taxable persons provided in the Taxation Act.
[RT I, 25.10.2012, 1 – entry into force 01.12.2012]

(3) The requirements for the documents specified in subsection 2 are established by a regulation of the minister in charge of the policy sector.

(4) Income tax withheld in accordance with the rates set out in subsection 1 or in international treaties as specified in subsection 2 is, for a non-resident recipient of a payment, the final income tax on income derived from an Estonian source of income in the form of payments listed in § 41. This provision does not apply to a non-resident who derived income through a permanent establishment located in Estonia (§ 7).

Chapter 9
DECLARATION OF INCOME AND PAYMENT OF INCOME TAX

§ 44. Income tax returns

(1) The taxpayer specified in subsection 1 of § 2 is required to submit an income tax return to the Tax and Customs Board concerning the income or gains derived during a tax period no later than by 30 April of the year following the tax period. A non-resident natural person who has transferred securities during the tax period and wants to exercise the right provided in subsection $4^2$of § 29 submits an income tax return by the same date. A non-resident, a fund manager of a common investment fund, and a public limited fund are required to submit an income tax return concerning only such income on which income tax has not been withheld on the basis of § 41. It is possible to submit an income tax return through the e-service of the Tax and Customs Board as of 15 February of the year following the tax period.
[RT I, 23.12.2019, 2 – entry into force 01.01.2021]

(1^1) The Tax and Customs Board completes the income tax return concerning the income derived by a resident natural person during a tax period and the deductions to be made therefrom on the basis of §§ 23 and 28 and subsections 1 and 2 of § 28^1, and concerning the transfer of securities with the data specified in subsection $5^2$of § 57^1on the basis of the data at the disposal of the Tax and Customs Board and makes the pre-completed income tax return available to the taxpayer through the e-service of the Tax and Customs Board and at the service point of the Tax and Customs Board as of 15 February of the year following the tax period. Upon using the pre-completed income tax return, the taxpayer is required to verify the correctness of the data set out therein and, if the data are incorrect or insufficient, submit an amended and supplemented income tax return.
[RT I, 24.12.2016, 1 – entry into force 01.01.2018]

(1^2) A natural person who was not a resident during the whole tax period submits an income tax return concerning only the income derived during the period when the person was a resident and may make the deductions permitted in Chapter 4 for the same period of time. The deductions provided in §§ 23 and 23^5may be made and the limit value on deductions provided in § $28^2$is taken into account in proportion to the number of months during which the person was a resident.
[RT I, 30.06.2023, 107 – entry into force 01.01.2024]

(1^3) A resident natural person who has derived income not subject to taxation pursuant to subsection 4 of § 13, subsection 10 of § 14, subsection $1^1$of § 18 or an international treaty in Estonia is required to declare such income.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

(1^4) A resident natural person who is a member of a building association founded in Estonia or owns an apartment ownership or an immovable located in Estonia or a right of superficies or a right of superficies in apartments related an immovable located in Estonia confirms in the tax return the receipt or non-receipt of income from rent (subsection 1 of § 16) during a tax period.
[RT I, 30.06.2015, 1 – entry into force 01.01.2016]

(2) [Repealed – RT I, 24.12.2016, 1 – entry into force 01.01.2017]

(2^{1}) A resident taxpayer who was married or in a registered partnership as at the last day of a tax period may make the deductions provided in § 26 in their income tax return, taking into account the provisions of § 28^{2}. The aforesaid deductions may also be used by spouses or registered partners, one of whom is a resident and another is a resident of a Contracting State or both of whom are residents of a Contracting State.
[RT I, 06.07.2023, 6 – entry into force 01.01.2024]

(3) In the event provided in subsection 6 of § 36, a natural person is required to submit an income tax return within one month as of the declaration of bankruptcy.

(3^{1}) [Repealed – RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(4) [Repealed – RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(5) [Repealed – RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(5^{1}) [Repealed – RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(5^{2}) A non-resident specified in subsection 2 or 3 of § 31^{1}submits the income tax return of a resident natural person in order to use the deductions permitted in the aforementioned subsections.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(6) An income tax return need not submitted by:
1) a resident natural person whose income did not exceed the rate of basic exemption provided in § 23 or whose income derived during the tax period is not subject to additional income tax, except in the event specified in subsection 6^{1};
[RT I, 24.12.2016, 1 – entry into force 01.01.2018]
1^{1}) a resident natural person of a Contracting State whose income did not exceed the rate of basic exemption provided in § 23 or whose income derived during the tax period is not subject to additional income tax, except in the event where the person derives business income from Estonia subject to taxation on the basis of subsection 3 of § 29 or wants to exercise the right provided in subsection 4 of § 23;
[RT I, 26.03.2021, 1 – entry into force 01.01.2022]
2) the person specified in subsection 4 of § 43.
3) [repealed – RT I 2006, 28, 208 – entry into force 01.01.2007]

(6^{1}) The following persons submit an income tax return regardless of the provisions of clause 1 of subsection 6:
1) a sole proprietor;
2) a person who made contributions to or payments from an investment account specified in § 17^{2}during a tax period;
3) the person specified in subsection 6 of § 22 and in subsection 1^{3}of this section;
4) a person who wants to exercise the right provided in subsection 4 of § 23;
4^{1}) a person who wants to exercise the right provided in subsection 6^{1}, 6^{2}or 6^{3}of § 38;
[RT I, 03.12.2024, 1 – entry into force 01.01.2025]
5) a person who wants to exercise the right provided in subsection 3 of § 39.
[RT I, 03.12.2024, 1 – entry into force 01.01.2025]

(7) The formats of income tax returns and annexes thereto, and the rules for completion thereof are established by a regulation of the minister in charge of the policy sector.

§ 45. Calculation of income tax paid abroad

(1) If a resident taxpayer has derived income from abroad during a tax period, all income derived in foreign states is added to the taxable income of the person and the income tax paid or withheld on such income abroad is deducted from the income tax payable, in accordance with the conditions specified in subsections 2–6. Income tax is calculated separately for income derived in Estonia and for income derived in each foreign state. Income tax paid in a foreign state on income which is not subject to taxation in Estonia is not taken into account in Estonia.

(2) If the income tax calculated in accordance with this Act on income derived in a foreign state is larger than the income tax paid in the foreign state, the amount that the taxpayer is required to pay in Estonia as income tax is the difference between the income tax of the foreign state and the income tax of Estonia.

(3) If the income tax calculated on income derived in a foreign state is smaller than the income tax paid in the foreign state or if the income tax calculated on income derived from all sources in accordance with the

taxpayer's income tax return is smaller than the income tax paid in the foreign state, the income tax overpaid in the foreign state is not refunded in Estonia.

(4) If a resident natural person has derived income subject to taxation in accordance with subsection 4 of § 18 or in accordance with § 22, the person has the right to deduct from the income tax payable by the person a proportional part of the income tax paid or withheld abroad by a legal person, an association of persons or a pool of assets of a foreign state, which corresponds to the resident's share of profit taxable as income. If a resident natural person has derived income subject to taxation in accordance with subsection 6 of § 18, the person has the right to deduct from the income tax payable by the person a proportional part of the income tax paid or withheld abroad on the income of a limited partnership fund, which corresponds to the resident's share in the limited partnership fund.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(5) The income tax paid or withheld in a foreign state may only be deducted from the income tax payable in Estonia if the taxpayer submits a certified statement issued by a tax authority or withholding agent of the foreign state about payment of income tax or another tax equivalent to income tax.

(6) If more income tax has been paid or withheld in a foreign state than prescribed by the law of the respective state or by an international treaty, only the part of the income tax of the foreign state subject to mandatory payment may be deducted from the income tax payable in Estonia.

(7) If income tax on income derived in a foreign state is paid in the foreign state during a tax period different from the period when the income was derived, it is taken into account in Estonia during the tax period when the income taxable in the foreign state was received.

(8) If a resident natural person has received interest on which income tax has been withheld arising from Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (OJ L 157, 26.6.2003, p. 38–48) or from an agreement entered into by Estonia or the European Community on the basis of that Directive, the income tax withheld may be deducted from the income tax payable in Estonia on the income derived during the same tax period. The part of income tax not deducted is refunded by the due date provided in subsection 6 of § 46.
[RT I 2006, 28, 208 – entry into force 01.07.2006, subsection 8 applied retroactively as of 1 January 2006.]

§ 46. Payment and refund of income tax

(1) The Tax and Customs Board calculates the amount of tax subject to payment additionally (additional amount due) and sends the taxpayer a corresponding written tax notice. A tax notice is not issued in the event of an electronically submitted tax return and to a non-resident, except in the event specified in subsection $5^2$of § 44. The tax authority publishes the tax calculation in the 'e-Tax Board/e-Customs' e-service environment of the Tax and Customs Board and notifies of the due date of liabilities incurred and of the possibility to examine the tax calculation in the 'e-Tax Board/e-Customs' environment.
[RT I, 07.12.2018, 1 – entry into force 01.01.2019]

(1^1) If a taxpayer exercises the right provided in subsection 10 of § 37, the additional amount due on the gains derived from the transfer of the right to cut standing crop and felled timber is calculated on the basis of an income tax return submitted no later than for the third calendar year following the calendar year when the gains were derived.
[RT I, 08.07.2011, 5 – entry into force 01.01.2012]

(2) Income tax withheld or paid during a tax period on the basis of §§ 41 and 47 is deducted from the total amount of income tax of the tax period. Income tax withheld or paid in a foreign state is also deducted to the extent permitted in § 45.
[RT I 2010, 22, 108 – entry into force 01.01.2011]

(3) A taxpayer is required to pay the additional amount due indicated in the tax notice to the bank account of the Tax and Customs Board no later than by 1 October of the calendar year following the tax period.
[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(4) [Repealed – RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(4^1) [Repealed – RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(5) [Repealed – RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(6) The Tax and Customs Board refunds the amount of tax overpaid by a natural person to the bank account of the taxpayer indicated in the tax return or, on the basis of a written application of the taxpayer, to the bank account of a third party, except in the events prescribed in the Taxation Act. The overpaid amount of tax must be refunded no later than by the due date provided in subsection 3.
[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

§ 47. Advance payments

(1) A sole proprietor who derived business income during a previous tax period is required to make advance payments of income tax during the tax period. The amount of an advance payment is 1/4 of the total amount of income tax calculated on the business income derived by the person during the previous tax period.
[RT I 2006, 28, 208 – entry into force 01.07.2006]

(2) Advance payments must be made to the bank account of the Tax and Customs Board in equal amounts by 15 September and 15 December. Advance payments need not be paid if the quarterly payment does not exceed 300 euros.
[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(3) A taxpayer who derives business income is not required to make advance payments of income tax during the first tax period.

(4) A sole proprietor whose business is registered in the commercial register as temporary or seasonal or has been suspended is not required to make advance payments of income tax.
[RT I 2008, 60, 331 – entry into force 01.01.2009]

(5) The Tax and Customs Board has the right to reduce advance payments or exempt a taxpayer from making advance payments if the taxpayer's estimated business income during the tax period is considerably smaller than the income derived during the previous tax period and if the taxpayer submits a corresponding reasoned application to this end.

Chapter 10
SPECIAL CASES OF PAYMENT OF INCOME TAX

§ 47^{1}. Advance payments of credit institution

(1) A resident credit institution and an Estonian branch of a non-resident credit institution are required to make an advance payment of income tax on the profit earned in the previous quarter before performance of the tax liabilities provided in this subsection, in subsections 1 and 2 of § 50 and in subsection 4 of § 53 to the bank account of the Tax and Customs Board at the rate provided in subsection 5 of § 4 by the tenth day of the third month of each quarter.
[RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(2) The profit of a quarter is reduced by the income of the same quarter specified in subsection 1^{1}of § 50 and in subsection 4^{1}of § 53 and by the loss of up to 19 previous quarters. The loss of previous quarters can be used for reducing the profit to the extent that has not been used for reducing the profit before.
[RT I, 07.07.2017, 3 – entry into force 01.01.2018]

§ 48. Income tax on fringe benefits

(1) An employer pays income tax on fringe benefits granted to an employee.

(2) For the purposes of subsection 1, an employer is a resident legal or natural person, a state or municipal authority and a non-resident who has a permanent establishment in Estonia (§ 7) or who has employees in Estonia.

(3) For the purposes of subsection 1, an employee is a person working on the basis of an employment contract, an official (subsection 1 of § 13), a member of a management or controlling body (§ 9) as well as a natural person who sells goods to an employer during a period longer than six months. A natural person who works or provides a service on the basis of a contract for services, an authorisation agreement or another contract under the law of obligations is also deemed to be an employee for the purposes of subsection 1.
[RT I, 06.07.2012, 1 – entry into force 01.04.2013]

(4) Fringe benefits are any goods, services, remuneration in kind or benefits that have a monetary value, which are given to a person specified in subsection 3 in connection with an employment or service relationship, membership in a management or controlling body of a legal person, or a long-term contractual relationship, regardless of the time when the fringe benefit is granted. Fringe benefits are, among other things:
1) full or partial covering of housing expenses;
2) the grant of use of a vehicle or other property of the employer free of charge or at a preferential price for activities not related to employment, official or service duties or to the employer's business;
3) payment of insurance premiums unless such obligation is prescribed by law;
4) [repealed – RT I, 30.06.2015, 1 – entry into force 01.01.2016]

5) payment of compensation for use of a private automobile in the part exceeding the limits provided in clause 2 of subsection 3 of § 13 (clauses 2 and 2[1]of subsection 3 of § 13, clause 8 of subsection 1 of § 31);
[RT I 2009, 18, 109 – entry into force 01.07.2009]
6) grant of a loan at an interest rate below the market conditions unless the interest is, at the moment of payment thereof, at least twice the interest rate last published pursuant to subsection 2 of § 94 of the Law of Obligations Act;
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]
7) transfer free of charge or sale or exchange at a price lower than the market price, of a thing, security, pecuniary right or service;
8) purchase of a thing, security, pecuniary right or service at a price higher than the market price;
9) waiver of the recovery of a monetary claim unless the estimated reasonable costs of recovering the monetary claim exceed the amount of the claim;
10) covering of expenses of formal and continuing education for the purposes of § 1 of the Adult Education Act, except for covering of expenses of formal or continuing education directly related to employment and service relationship and duties of a member of the management board of a legal person, a manager of a branch of a foreign company and a chief executive officer of another permanent establishment of a non-resident;
[RT I, 23.03.2015, 5 – entry into force 01.07.2015]
11) income derived upon transfer of a share option granted by the employer or upon acquisition of holding that constitutes the underlying assets of the option, taking into account the provisions of subsection 5[3].
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(5) Fringe benefits do not include monetary payments which are usually deemed to be wages and salaries, additional remuneration, additional payment, remuneration of a member of a management or controlling body, or payment for goods sold or a service provided. Neither do fringe benefits include payments made to natural persons on which income tax has been withheld on the basis of § 41 or which are not subject to income tax pursuant to §§ 13–21 or §§ 30–31 or which can be treated as business-related expenses pursuant to subsection 2 of § 32.
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]

(5[1]) Compensation for the ticket price of the public transport used to transport employees between the place of residence and the place of work is not subject to taxation as a fringe benefit. Compensation for other transport expenses is not subject to taxation as a fringe benefit if it is impossible to make the journey using public transport with a reasonable expenditure of time and money, or if a disabled employee is unable to use public transport or if the use of public transport causes a significant decline in the person's ability to move and work. The employer's business-related expenses made for transporting an employee who works on the basis of an employment contract between their place of residence and place of work are also not subject to taxation as a fringe benefit if the place of residence of the employee is located at a distance of at least 50 kilometres from the place of work or if the employer organises transport using a vehicle that has at least eight seats or a bus for the purposes of the Road Traffic Act.
[RT I, 06.12.2018, 2 – entry into force 01.01.2020]

(5[2]) The expenses incurred in connection with a diplomatic reception, a meeting or another event organised for the purpose of foreign relations are not deemed to be a fringe benefit.
[RT I, 27.09.2024, 1 – entry into force 01.01.2025]

(5[3]) The grant of a share option is not deemed to be a fringe benefit. If the underlying assets of the share option constitute holding in the employer or in a company belonging to the same group as the employer, the acquisition of the holding that constitutes the underlying assets of the share option is not deemed to be a fringe benefit if the holding is acquired no earlier than three years as of the grant of the share option. An employee is required to notify the employer of the transfer of the share option. If the underlying assets of the option change, the aforementioned term is calculated as of the grant of the initial option. If the entire holding in the employer or in a company that belongs to the same group as the employer is transferred during the validity of an option contract entered into for a term of at least three years, and also if an employee is established to have no work ability or if the employee dies, the acquisition of the holding constituting the underlying assets of the option is not deemed to be a fringe benefit to the extent that corresponds proportionally to the time of holding the option prior to the aforementioned event. If the option contract is not digitally signed or notarially authenticated, the employer is required to submit the contract to the Tax and Customs Board within five working days as of entry into the contract.
[RT I, 07.07.2017, 3 – entry into force 01.08.2017, subsection 5[3] applied retroactively as of 1 July 2017.]

(5[4]) The expenses made for granting medical devices to an employee who has been established to have partial or no work ability (in the event of an auditory disability, decrease of auditory ability of 30 decibels and more) or whose degree of disability has been determined to the extent of up to 50% of the amount, which is subject to social tax and has been paid to the employee during the year, are not deemed to be a fringe benefit. The creation of a fringe benefit is determined in the tax return specified in subsection 1 of § 54, which is to be submitted for the last month of the calendar year when the medical devices were granted.
[RT I, 07.07.2017, 3 – entry into force 01.08.2017, subsection 5ˇ4 applied retroactively as of 1 July 2017.]

(5^5) The following expenses made for improving the health of an employee to the extent of 400 euros per employee in a year are not subject to taxation as a fringe benefit if the employer has enabled these to all employees:
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]
1) participation fee in public sports events;
2) expenses directly related to regular use of sporting or mobility venues or to massage;
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]
3) expenses made for maintenance of the employer's existing sports facilities;
4) expenses on services provided by a person holding an activity licence for the provision of health services within the framework of dental care, rehabilitation, psychological treatment, physiotherapy or speech therapy, and on nutrition counselling service provided by a nutrition counsellor who holds a professional qualification;
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]
5) an insurance premium of a sickness insurance contract.
[RT I, 24.12.2016, 1 – entry into force 01.01.2018]

(5^6) The employer's business-related expenses for the accommodation of an employee working on the basis of an employment contract are not deemed to be a fringe benefit if both of the following conditions are met:
1) the place of residence of the employee is located at a distance of at least 50 kilometres from the place of work and the employee does not own any immovable property used as housing, which is located closer to the place of work, and these conditions are met throughout the period of accommodation;
2) the expenses per accommodated employee are up to 500 euros a calendar month in the event of accommodation in Tallinn or Tartu and up to 250 euros in other events.
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]

(6) Benefits specified in subsection 4 which an employer grants to a spouse, registered partner, cohabitee or direct blood or collateral relative of the person specified in subsection 3 or which are granted by a person that belongs to the same group as the employer are also deemed to be a fringe benefit granted by the employer. An employee is required to notify the employer of receiving a fringe benefit from the person specified in the previous sentence.
[RT I, 06.07.2023, 6 – entry into force 01.01.2024]

(7) The price of a fringe benefit is generally determined on the basis of the market price of the goods or service provided as a fringe benefit. The rules for determining the price of a fringe benefit are established by a regulation of the minister in charge of the policy sector.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(8) The price of a fringe benefit for enabling the use of an automobile in the ownership or possession of the employer for activities not related to employment, official or service duties or to the employer's business is 1.96 euros a month per engine power unit (kW) of the automobile as indicated in the motor register. In the event of an automobile older than five years, the price of a fringe benefit is 1.47 euros per engine power unit (kW) of the automobile. No fringe benefit arises during the tax period when the automobile has been deleted from the motor register temporarily or the register entry has been suspended.
[RT I, 07.07.2017, 3 – entry into force 01.01.2018]

(8^1) The rules for determining the price of a fringe benefit provided in subsection 8 may also be used upon enabling the use of a truck with a maximum mass of up to 3,500 kilograms for the purposes of the Road Traffic Act for activities not related to employment, official or service duties or to the employer's business.
[RT I, 07.07.2017, 3 – entry into force 01.01.2018]

(8^2) If an employer who is the owner or authorised user of an automobile for the purposes of the Road Traffic Act does not enable the use of an automobile in the ownership or possession of the employer for activities not related to employment, official or service duties or to the employer's business, the employer notifies, upon acquisition or commencement of use of the automobile, the Road Administration that will make a notation in the data of the vehicle in the motor register concerning the use of the automobile only for the performance of employment, official or service duties. In the event of commencement of use of such an automobile for activities not related to employment, official or service duties or to the employer's business, the employer must notify the Road Administration thereof in advance.
[RT I, 07.07.2017, 3 – entry into force 01.01.2018]

(9) Income tax is not charged on a fringe benefit granted to an employee in connection with work in a foreign state if the conditions provided in subsection 4 of § 13 are met.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

§ 49. Income tax on gifts, donations and costs of entertaining guests

(1) A resident legal person, except for a person entered in the list specified in subsection 1 of § 11, pays income tax on the gifts and donations made on which income tax has not been withheld on the basis of § 41 or not been

paid on the basis of § 48, taking into account the special rules specified in subsections 2 and 4. Income tax is not charged on goods delivered or a service provided for the purposes of advertising, the value of which without value added tax is up to 21 euros. Gifts also include prizes of commercial lotteries with the prize fund of up to 10,000 euros regardless of the limit provided in the previous sentence.
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]

(2) Income tax is not charged on gifts and donations made during a calendar year to a person entered in the list specified in subsection 1 of § 11 or to a person specified in subsection 10 of § 11 the amount of which does not exceed one of the following limits:
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
1) 3% of the amount of the payments subject to social tax in accordance with clauses 1–4 and 6 of subsection 1 of § 2 of the Social Tax Act (hereinafter *individually registered social tax*) made by the taxpayer during the same calendar year;
2) 10% of the profit of the taxpayer for the last financial year that ended by 1 January of a calendar year, which has been calculated in accordance with the legislation regulating accounting.

(3) The taxpayer calculates the gifts and donations specified in subsection 2 and made during the calendar year in total. The taxpayer determines the total annual tax-exempt amount of such gifts and donations based on only one limit of the taxpayer's choice specified in the same subsection.

(4) Income tax is not charged on payments by a person entered in the list specified in subsection 1 of § 11 made in connection with the provision of meals, accommodation, transport or entertainment to guests or co-operation partners. In the event of another resident legal person, income tax is not charged on such payments to the extent of up to 50 euros a calendar month. In addition, if such legal person makes payments subject to individually registered social tax, the legal person may make, in a calendar month, payments exempt from income tax in connection with the provision of meals, accommodation, transport or entertainment to guests or co-operation partners in the total amount of up to 2% of the sum of the payments subject to individually registered social tax and made by the legal person during the same calendar month.
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]

(4^1) A natural person who participates in the activities of a non-profit association or a foundation in their free time and without charge is also treated as a co-operation partner of the non-profit association and the foundation.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(5) If, during some months of a calendar year, a resident legal person does not make the payments listed in subsection 4 or makes them in an amount below the tax-exempt limit provided in the same subsection, the legal person has the right to apply recalculation in total to the payments made during that month and the following months until the end of the calendar year.

(6) A person entered in the list specified in subsection 1 of § 11 pays income tax on all gifts and donations made on which income tax has not been withheld on the basis of § 41 or not been paid on the basis of § 48, except for the following gifts and donations made in pursuance of the objectives specified in the articles of association:
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
1) gifts and donations made to a person entered in the list specified in subsection 1 of § 11 and to a person specified in subsection 10 of § 11;
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
2) [repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]
3) material assistance granted to a natural person for subsistence, including financial assistance to the extent of the amount of average monthly expenses of a member of a household per calendar month pursuant to the latest information disseminated by Statistics Estonia;
[RT I 2006, 28, 208 – entry into force 01.07.2006]
4) souvenirs given as a gift to a participant in a permanent youth camp or a youth project camp to the extent of up to 85 euros per participant in the camp;
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]
5) souvenirs given as a gift in a sports competition to a participant in the competition to the extent of up to 85 euros per participant in the competition;
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]
6) goods delivered or a service provided for the purposes of advertising, the value of which without value added tax is up to 10 euros.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(6^1) Transfer of the property of a person, who has been entered in the list specified in subsection 1 of § 11, for achieving the objectives of the person's charitable activities carried out in the public interest is not treated as a gift or a donation.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(7) [Repealed – RT I 2003, 88, 587 – entry into force 01.01.2004]

§ 50. Income tax on dividends and other profit distributions

(1) A resident company, including a general and limited partnership, pays income tax on profit distributed as dividends or other profit distributions upon payment thereof in monetary or non-monetary form. Income tax is not charged on profit distributed by way of a bonus issue.
[RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(1^1) The income tax provided in subsection 1 is not charged on a dividend if:
1) the resident company paying the dividend has received the dividend constituting the basis for the payment from a resident company of a Contracting State or of the Swiss Confederation liable to income tax (except for a company located in a non-cooperative jurisdiction for tax purposes) and at least 10% of such company's shares or votes belonged to the resident company at the time of receipt of the dividend;
[RT I, 26.03.2021, 1 – entry into force 01.07.2021]
2) the dividend is paid on the account of the profit attributed to a resident company's permanent establishment located in a Contracting State or in the Swiss Confederation;
3) the company paying the dividend has received the dividend constituting the basis for the payment from a company of a foreign state not specified in clause 1 (except for a company located in a non-cooperative jurisdiction for tax purposes) and at least 10% of such company's shares or votes belonged to the company at the time of receipt of the dividend, and income tax has been withheld on the dividend or income tax has been charged on the share of profit which constitutes the basis therefor;
[RT I, 26.03.2021, 1 – entry into force 01.07.2021]
4) the dividend is paid on the account of the profit attributed to a resident company's permanent establishment located in a foreign state and income tax has been charged on such profit;
5) the dividend is paid on the account of the part of the payment specified in subsection 2^1;
[RT I 2008, 51, 286 – entry into force 01.01.2009]
6) the dividend is paid on the account of the income of a public limited fund which is subject to income tax pursuant to the provisions of Chapter 5^1or exempt from income tax pursuant to subsection 2 of § 31^2;
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]
7) the dividend is paid on the account of a repaid loan subject to taxation on the basis of § 50^2;
[RT I, 07.07.2017, 3 – entry into force 01.01.2018]
8) the dividend is paid on the account of the dividend received from a controlled foreign company or on the account of the gains derived from the sale of such company to the extent of the amount subject to income tax on the basis of § 54^3;
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]
9) the dividend is paid on the account of the assets that have been moved out to a permanent establishment and are subject to income tax on the basis of § 54^5.
[RT I, 28.12.2018, 44 – entry into force 01.01.2020]

(1^2) In the event specified in clauses 3 and 4 of subsection 1^1, only the income tax subject to payment pursuant to law or an international treaty is taken into account.
[RT I 2006, 28, 208 – entry into force 01.01.2007]

(1^3) Clauses 1 and 3 of subsection $1^1$and subsection 21 apply if the company from which the dividend has been received does not have the right to deduct it from taxable profit.
[RT I, 04.05.2016, 2 – entry into force 01.11.2016]

(1^4) [Repealed – RT I, 28.12.2018, 44 – entry into force 01.01.2019]

(1^5) The receipt of a dividend by a limited partnership fund where a resident company is a partner is also treated as the receipt of a dividend for the purposes of clauses 1 and 3 of subsection 1^1. In such an event, indirect holding in a company specified in clauses 1 and 3 of subsection 1^1, which corresponds to the amount of the share of the resident company in the limited partnership fund, is treated as the holding provided in these clauses.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(2) A resident company, except for a public limited fund, pays income tax on such part of the sum of payments made upon reducing the share capital or contributions, upon redeeming or returning shares or contributions (hereinafter *holding*) or made from the equity in another event, which exceeds the monetary and non-monetary contributions made to the equity of the company. Contributions made by one merged company to the equity of another merged company or by a merged company to the equity of the company founded as a result of the merger are not taken into account as a contribution made to the equity of the acquiring company or of the company founded as a result of the merger. Upon division, contributions which have been made to the equity of the recipient company prior to the division and on the account of which payments have not been made from the equity or which have not been transferred to another company, and the part of similar contributions transferred to the recipient company by the company being divided are treated as a contribution to the equity of the recipient company. If assets, except for assets moved to a permanent establishment and moved back to

Estonia, tax residence or the economic activities of a permanent establishment are moved to Estonia, the value of the assets determined in the state of the taxpayer or of the taxpayer's permanent establishment is treated as a contribution made to the equity of a resident company. If the determined value does not reflect the market value, the market value will be used as a basis. If an enterprise forming part of a permanent establishment of a non-resident is transferred to a resident company, the assets introduced to Estonia for the purpose of the permanent establishment before the transfer of the enterprise are also treated as monetary and non-monetary contributions made to the equity of the company.
[RT I, 28.12.2018, 44 – entry into force 01.01.2020, amended [RT I, 23.12.2019, 1]]

(2^1) Taking into account the percentage of holding provided in subsection $1^1$and the provisions of subsection 1^2, income tax is not charged on the payment specified in subsections 2 and $2^2$the basis for which is the amount specified in subsection 1^1or the part of the payment specified in subsection 2 or 2^2, which has been received by the company, if the amount or part of the payment is or the share of profit constituting the basis for the amount or part of the payment is subject to income tax. If there were several recipients of the payment specified in subsection 2 or 2^2, tax exemption is applied, upon further distribution of the payment, to the part of the received payment which is proportional to the part of the payment subject to taxation.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

(2^2) A resident company which is deleted from the register pays income tax on the market value of the assets, including the liquidation proceeds, exceeding the monetary and non-monetary contributions which have been made to the equity and on the account of which payments have not been made from the equity or which have not been transferred to another company. This subsection does not apply if the assets of the company deleted from the register without liquidation are continuously used in another company in economic activities in Estonia or if the assets of the company deleted from the register are continuously used in the permanent establishment of a non-resident company. If the economic activities are continued through another resident company, the aforementioned share of the equity is subject to taxation on the basis of §§ 48–52. If the company maintains a permanent establishment in Estonia, the aforementioned share of the equity is subject to taxation on the basis of § 53.
[RT I, 28.12.2018, 44 – entry into force 01.01.2020]

(2^3) [Repealed – RT I, 28.12.2018, 44 – entry into force 01.01.2020]

(2^4) Income tax is not charged on a payment specified in subsections 1 and 2 if the income constituting the basis therefor has been received upon returning a unit of a common investment fund or a share of a public limited fund or upon liquidating a fund or as interest from a fund and it is subject to income tax pursuant to the provisions of Chapter 5^1or exempt from income tax pursuant to subsection 2 of § 31^2.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(3) [Repealed – RT I 2000, 102, 667 – entry into force 01.01.2001]

(4) If the price of a transaction concluded between a resident legal person and a person associated with the resident legal person differs from the market value of the above transaction, income tax is charged on the amount that the taxpayer would have received as income or on the amount that the taxpayer would not have incurred as expenses if the transfer price had been in compliance with the market value of the transaction.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(4^1) Subsections 4 and 4^2–8 also apply to transactions between business entities forming part of a legal person if the income of at least one of them is subject to taxation on the basis of § 521.
[RT I, 04.03.2019, 1 – entry into force 01.07.2020, date of entry into force changed [RT I, 28.02.2020, 2]]

(4^2) Upon transfer of assets from a business entity forming part of a legal person the profit of which is subject to taxation on the basis of §§ 49–52 to a business entity the income of which is subject to taxation on the basis of § 52^1, the assets are deemed moved out of the business of the first business entity and the undertaking will have the tax liability on the basis of the market value of the assets. The tax liability also arises to the full extent if § 52^1only applies in part to the income derived from activities carried out with the assets.
[RT I, 04.03.2019, 1 – entry into force 01.07.2020, date of entry into force changed [RT I, 28.02.2020, 2]]

(5) Subsection 4 does not apply to the difference between the transfer price and the market value of a transaction if a legal person has paid income tax thereon or income tax has been withheld thereon pursuant to § 41.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(6) The methods for determining the market value of the transactions specified in subsection 4 are established by a regulation of the minister in charge of the policy sector.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(7) In order to apply subsection 4, a resident company is required to submit, at the request of a tax authority, additional information on the transactions with associated persons, activities of companies belonging to the

same group and structure of the group. The tax authority grants the company a term of at least 60 days for submitting such information.
[RT I 2006, 28, 208 – entry into force 01.01.2007]

(8) The requirements set for the information specified in subsection 7 are established by a regulation of the minister in charge of the policy sector.
[RT I 2006, 28, 208 – entry into force 01.01.2007]

(9) If the taxpayer so demands, the payer specified in subsection 2 is required to issue a certificate regarding the payments specified in subsection 2 and made during a calendar month by the fifth day of the following calendar month. The certificate must set out the total amount of the payment and the part of the payment which or the share of profit constituting the basis for which has been taxed with income tax. The format of the certificate and the rules for completion thereof are established by a regulation of the minister in charge of the policy sector.
[RT I, 30.06.2023, 107 – entry into force 01.01.2025]

§ 50^{1}. Income tax on regularly payable dividends and other profit distributions

[Repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2025]

§ 50^{2}. Income tax on hidden profit distributions

(1) A resident company pays income tax on a loan granted to a shareholder, a partner or a member of the company if the circumstances of the transaction refer that this may constitute a hidden profit distribution. In the event of a loan granted to a parent undertaking for the purposes of subsection 2 of this Act and § 6 of the Commercial Code and to another subsidiary of the same parent undertaking, except to a subsidiary of the lender, the repayment term of which is longer than 48 months, the taxpayer has the obligation to prove, at the request of the tax authority, the loan repayment ability and intention. The tax authority grants the company a term of at least 30 days for submitting such proofs.

(2) A company that is located, in the structure of a group (§ 6 of the Commercial Code), above the subsidiary that grants a loan as well as a non-profit association and a foundation who has a majority voting interest or dominant influence in the company that grants the loan is also treated as a parent undertaking.
[RT I, 07.07.2017, 3 – entry into force 01.01.2018]

§ 51. Income tax on expenses not related to business and activities specified in articles of association

[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(1) A resident company pays income tax on expenses not related to business unless income tax has been paid on such expenses in accordance with §§ 48 –50 of this Act.

(2) For the purposes of subsection 1, expenses not related to business are:
1) expenses or payments specified in clauses 3–6, 11 and 13 of § 34;
[RT I, 07.07.2017, 2 – entry into force 01.01.2018]
2) joining and membership fees paid to non-profit associations unless participation in such associations is directly related to the business of the taxpayer;
3) payments concerning which the taxpayer does not have a source document in compliance with the requirements prescribed in legislation regulating accounting;
4) expenses incurred or payments made in order to purchase services not related to the business of the taxpayer;
5) expenses incurred or payments made in order to perform obligations not related to business.

(3) A resident non-profit association, foundation and religious association which is a legal person pays income tax on the expenses and payments specified in clauses 1 and 3 of subsection 2 and in § 52 as well as on expenses incurred in order to purchase services and assets not related to the activities specified (including business permitted) in the articles of association of the person.

(4) [Repealed – RT I 2008, 51, 286 – entry into force 01.01.2009]

(5) The expenses specified in subsection 3 of § 13 are not treated as expenses not related to business.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

§ 52. Income tax on other payments not related to business

(1) A resident company, except for a credit institution, pays income tax on payments not related to business unless income tax has been withheld on such payments on the basis of § 41 or paid in accordance with §§ 48–51.

(2) For the purposes of subsection 1, expenses not related to business are:
1) acquisition of assets not related to business;
2) acquisition of securities issued by a legal person located in a non-cooperative jurisdiction for tax purposes (§ 10[1]) unless such securities meet the conditions provided in subsection 1 of § 107 of the Investment Funds Act;
[RT I, 26.03.2021, 1 – entry into force 01.07.2021]
3) acquisition of a holding in a legal person located in a non-cooperative jurisdiction for tax purposes;
[RT I, 26.03.2021, 1 – entry into force 01.07.2021]
4) payment of a late interest or a contractual penalty, or compensation for loss outside court or arbitral proceedings, to a legal person located in a non-cooperative jurisdiction for tax purposes;
[RT I, 26.03.2021, 1 – entry into force 01.07.2021]
5) grant of a loan or making of an advance payment to a legal person located in a non-cooperative jurisdiction for tax purposes or acquisition of a right of claim against a legal person located in a non-cooperative jurisdiction for tax purposes in any other manner.
[RT I, 26.03.2021, 1 – entry into force 01.07.2021]

(3) A resident credit institution pays income tax on the following payments and losses unless income tax has been withheld on such payments on the basis of § 41 or paid in accordance with §§ 48–51:
1) the payments specified in clauses 1 and 2 of subsection 2;
2) the payments specified in clause 4 of subsection 2 unless the payment has been made to a credit or financial institution which meets the requirements set in the law of its home country for an institution equal to an Estonian credit or financial institution;
3) the loss incurred by a credit institution when it transfers a right of claim or waives the recovery of a right of claim (including a loan granted and an advance payment made) acquired against a legal person located in a non-cooperative jurisdiction for tax purposes.
[RT I, 26.03.2021, 1 – entry into force 01.07.2021]

§ 52[1]. Income tax on income derived from international carriage of goods and passengers by sea

(1) A resident company may pay income tax pursuant to this section on income derived from activities of international carriage of goods or passengers by sea specified in subsections 6, 7 and 9–11 or in subsection 13 of this section by using a ship complying with the conditions of clause 1 of subsection 5 of § 13 or subsection 6 of § 13 by not applying the provisions of §§ 49–52 (hereinafter *tonnage scheme*).

(2) The implementation of the tonnage scheme is State aid for the purposes of Article 107(1) of the Treaty on the Functioning of the European Union, which is granted observing the maritime aid guidelines, guidance concerning ship management companies and the respective decision of the European Commission authorising the grant of the State aid.

(3) A resident company may implement the tonnage scheme if the following conditions are met:
1) it has taken over the liability for managing the maritime safety and technical service of a ship meeting the conditions provided in clause 1 of subsection 5 of § 13 or in subsection 6 of § 13 and has a respective certificate;
2) the strategic, business and technical management decisions related to the operation of the ship are made in Estonia;
3) the decisions related to the management of the crew are made in a Contracting State;
4) it is not an undertaking in difficulty for the purposes of Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty established by the European Commission;
5) it has not failed to perform the obligation to repay the State aid declared illegal and incompatible with the internal market on the basis of the decision of the European Commission.

(4) In order to implement the tonnage scheme, the ships used by a resident company and the undertakings belonging to the same group as the company and included in the calculation of the tonnage scheme must meet the following conditions:
1) at least 25% of the gross tonnage of the ships must be owned by the company and the undertakings belonging to the same group as the company or used by them on the basis of a bareboat charter party;
2) at least 60% of the gross tonnage of the ships, including all dredgers and tugboats, must be registered under the flag of a Contracting State.

(5) For the purposes of this section, carriage of goods and passengers by sea is deemed international if more than 50% of the voyages take place:
1) between an Estonian port and a port of a foreign state;
2) between an Estonian port and a facility located outside the territorial sea of Estonia;
3) between the ports of a foreign state or of foreign states;
4) between a port of a foreign state and a facility located off the shore.

(6) Core activities of international carriage of goods or passengers by sea are:
1) carriage of goods or passengers for a fee;
2) grant of use of cabins for a fee;
3) sale of food and drinks for immediate consumption on board;
4) grant of use of a ship for a fee on the basis of a charter party (hereinafter *chartering out*), except for chartering out on the basis of a bareboat charter party.

(7) Ancillary activities of international carriage of goods or passengers by sea are:

1) provision of services or sale of goods, which are usually provided or sold on a passenger ship, on the condition that these activities are directly related to the carriage of passengers by sea;
2) salvage;
3) loading, unloading and fastening of cargo if these activities are carried out by crew members of a resident company;
4) grant of use of a container or another tank for a fee;
5) renting out a space on board to a seller of goods or a provider of services;
6) grant of use of an advertising space on board for a fee;
7) mediation of sightseeing during a voyage to a passenger on a ship, provided that the cabin remains in the use of the passenger.

(8) Income derived from the ancillary activities provided in subsection 7 is subject to taxation pursuant to this section if it does not exceed 50% of the income derived from the activities of international carriage of goods or passengers by sea of a ship complying with the conditions of clause 1 of subsection 5 of § 13 or subsection 6 of § 13.

(9) The following activities are also treated as international carriage of goods or passengers by sea:
1) crew or technical management of a ship;
2) chartering out a ship on the basis of a bareboat charter party to an undertaking in a Contracting State which belongs to the same group as the company.

(10) Chartering out a ship on the basis of a bareboat charter party is also treated as international carriage of goods or passengers by sea, provided that:
1) the reason for chartering out is the excess capacity of the tonnage of a ship temporarily not used in business by a resident company for a reason other than purchasing or chartering a ship for the purpose of chartering it out;
2) the ship is chartered out for no longer than three years;
3) the chartering out does not exceed 50% of the gross tonnage of the ships used by the resident company and included in the calculation of the tonnage scheme.

(11) Activities carried out with a dredger or a tugboat outside the port and the territorial sea of Estonia are also treated as international carriage of goods or passengers by sea if more than 50% of the operational time of the dredger or tugboat is spent in carriage by sea, and only in respect of such carriage activities.

(12) Income tax is not charged on income derived by the undertaking complying with the conditions provided in subsections 3 and 4 within at least three years from transfer of a ship used for earning income subject to taxation pursuant to the rules provided in this section if, upon transfer of the ship, income tax has been paid pursuant to subsection $4^2$of § 50 or if the ship had been acquired on the account of the income subject to taxation pursuant to the rules provided in this section.

(13) The tonnage scheme may also be implemented by a resident company that earns income from the provision of crew management or technical management service to a ship complying with the conditions provided in clause 1 of subsection 5 of § 13 or in subsection 6 of § 13 and that meets the conditions provided in clauses 4 and 5 of subsection 3 of this section if:
1) the provider of the crew management service makes management decisions in Estonia and fully adheres to and applies all the requirements of the Maritime Labour Convention of the International Labour Organization;
2) the provider of the technical management service makes management decisions in Estonia, assumes the liability for managing the maritime safety and technical service of the ship and has a respective certificate;
3) all the ships and crews managed by the service provider specified in clauses 1 and 2 comply with international standards and requirements arising from the law of the European Union related to the maritime security and safety, training and certification of seafarers, environmental conservation and working conditions on a ship;
4) at least 60% of the gross tonnage of ships included in the calculation of the tonnage scheme used by the company and the undertakings belonging to the same group as the company, including all dredgers and tugboats, has been registered under the flag of a Contracting State;
5) the service provider has at least one crew manager and four other employees to manage crews of up to ten ships and at least two crew managers and eight other employees to manage crews of more than ten ships;
6) the service provider has at least one technical manager and four other employees for technical management of up to ten ships and at least two technical managers and eight other employees for technical management of more than ten ships;
7) at least 51% of the employees specified in clauses 5 and 6 are citizens of a Contracting State.

(14) By the tenth day of the calendar month following the month of implementation of the tonnage scheme, the undertaking complying with the conditions provided in this section (hereinafter *the person implementing the tonnage scheme*) submits to the tax authority the data necessary for transfer to and application of the tonnage scheme. The list of data to be submitted is established by a regulation of the minister in charge of the policy sector.

(15) An undertaking who meets the conditions provided in subsection 4 or in clause 4 of subsection 13 is an undertaking who meets the conditions together with the undertakings that belong to the same group as the company and comply with the requirements for application of the tonnage scheme, provided that all the aforementioned undertakings have joined the tonnage scheme.

(16) The proportion requirements provided in subsections 5, 8 and 11 are met if an undertaking meets the conditions within a calendar year in proportion to the number of months during which the tonnage scheme was applied.

(17) The tonnage scheme is implemented until the conditions for implementation thereof are met, but no longer than the expiry of the respective decision of the European Commission authorising the grant of the State aid. Upon the expiry of the right to implement the tonnage scheme, the right to implement the tonnage scheme again arises after the expiry of the respective decision of the European Commission authorising the grant of the State aid, provided that the European Commission has granted a new authorisation for State aid and that the conditions for implementation of the tonnage scheme are met.

(18) Upon implementation of the tonnage scheme, the amount of taxable income of the person implementing the tonnage scheme is calculated for each ship complying with the conditions provided in clause 1 of subsection 5 of § 13 or in subsection 6 of § 13 per 24-hour period that has started, irrespective of whether or not the ship is used.

(19) The amount of taxable income specified in subsection 18 is calculated as the product of the net tonnage of the ship used by the person implementing the tonnage scheme and the respective ratio as follows:
1) the ratio applicable to the tonnage range of up to 1,000 is 0.0084 euros;
2) the ratio applicable to the tonnage range of 1,001 to 10,000 is 0.0062 euros;
3) the ratio applicable to the tonnage range of 10,001 to 25,000 is 0.0040 euros;
4) the ratio applicable to the tonnage range starting from 25,001 is 0.0020 euros.

(20) The ratios provided in subsection 19 are applied as follows depending on the age of the ship:
1) 50% for ships not older than five years;
2) 75% for ships older than five years but not older than ten years;
3) 100% for ships older than ten years.

(21) The Ministry of Climate or an authority authorised thereby calculates the amount of the State aid on the basis of the data of the Tax and Customs Board and enters the data in the register of State aid and de minimis aid provided in § 49^2 of the Competition Act as well as exercises supervision over the compliance with the State aid rules specified in subsection 2 of this section.
[RT I, 30.06.2023, 1 – entry into force 01.07.2023]

§ 53. Taxation of non-resident legal person's permanent establishment located in Estonia

(1) A non-resident legal person which has a permanent establishment in Estonia (§ 7) pays income tax pursuant to §§ 48–52, 54^1–54^3 and 54^7, taking into account the special rules specified in this section.
[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(2) On the basis of § 48, income tax is charged on all fringe benefits granted by a non-resident to its employee or member of a management or controlling body through or on the account of a permanent establishment, irrespective of whether the recipient of the fringe benefit is a resident or a non-resident.

(3) On the basis of § 49, income tax is charged on the gifts and donations made and on the costs of entertaining guests incurred by a non-resident through or on the account of a permanent establishment, irrespective of whether the recipient of the gift or donation, or the guest or co-operation partner is a resident or a non-resident. Representatives of a non-resident's head office or another structural unit located outside Estonia are also deemed to be a guest and a co-operation partner.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(4) On the basis of §§ 50 or 50^2, income tax is charged on the profit attributed to a permanent establishment which has been moved out of the permanent establishment during a tax period in monetary or non-monetary form.
[RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(4^1) The income tax provided in subsection 4 is not charged on profit moved out of a permanent establishment which is based on the dividend received through or on the account of the permanent establishment, provided that at the time the dividend was received, the recipient of the dividend owned at least 10% of the shares or votes of the company paying the dividend, and if:
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]
1) the dividend was received from a resident company of a Contracting State or of the Swiss Confederation liable to income tax (except for a company located in a non-cooperative jurisdiction for tax purposes);
[RT I, 26.03.2021, 1 – entry into force 01.07.2021]

2) the dividend was received from a company of a foreign state not specified in clause 1 (except for a company located in a non-cooperative jurisdiction for tax purposes) and income tax has been withheld on the dividend or charged on the share of profit constituting the basis therefor.
[RT I, 26.03.2021, 1 – entry into force 01.07.2021]

(4^{2}) In the event specified in clause 2 of subsection 4^{1}, only the income tax subject to payment pursuant to law or an international treaty is taken into account. Subsection 4^{1} is applied taking into account subsection 1^{3} of § 50.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

(4^{3}) If a resident company is deleted from the commercial register and the economic activities of the company are continued in Estonia through a permanent establishment, the share of the equity of the company deleted from the commercial register which exceeds the monetary and non-monetary contributions made to the equity is also treated as the profit attributed to the permanent establishment for the purposes of subsection 4.
[RT I, 28.12.2018, 44 – entry into force 01.01.2020]

(4^{4}) Subsection 4 does not apply upon transfer of an enterprise forming part of a permanent establishment to another company in the form of a non-monetary contribution or in the course of merger, division or transformation if economic activities are continued in Estonia through such enterprise. If the enterprise is acquired by a non-resident company, the untaxed profit attributed to the permanent establishment of the non-resident which transferred the enterprise is also treated as the profit of the permanent establishment of the non-resident company.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(4^{5}) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(4^{6}) Subsections 4–8 of § 50 also apply to transactions concluded through or on the account of a permanent establishment of a non-resident.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(4^{7}) Taking into account the percentage of holding provided in subsection 4^{1} and in subsection 4^{2}, the income tax provided in subsection 4 is not charged on profit moved out of a permanent establishment which is based on the part of the payment specified in subsection 2^{1} of § 50 which has been received through or on the account of the permanent establishment of a non-resident.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(4^{8}) The income tax provided in subsection 4 is not charged on profit moved out of a permanent establishment if the profit is based on the income which has been derived through or on the account of the permanent establishment upon returning a unit of a common investment fund or a share of a public limited fund or upon liquidating a fund or as interest from a fund and is subject to income tax pursuant to the provisions of Chapter 5^{1} or exempt from income tax pursuant to subsection 2 of § 31^{2}.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(4^{9}) The receipt of a dividend by a limited partnership fund in which a non-resident legal person is a partner is also treated as the receipt of a dividend for the purposes of subsection 4^{1}. In such an event, indirect holding in a company specified in subsection 4^{1}, which corresponds to the amount of the non-resident's share in the limited partnership fund, is treated as the holding provided in subsection 4^{1}.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(4^{10}) The income tax provided in subsection 4 is not charged on profit moved out of a permanent establishment if the profit is moved out:
1) on the account of a repaid loan subject to taxation on the basis of § 50^{2}; or
2) on the account of the amount determined on the basis of subsection 4^{13} and subject to taxation.
[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(4^{11}) The income tax provided in subsection 4 is not charged on profit moved out of a permanent establishment which is based on a dividend received from a controlled foreign company or from the sale of such company to the extent which is subject to taxation in accordance with subsection 8.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

(4^{12}) The value of the assets introduced to Estonia for the purpose of a permanent establishment is determined on the basis of the value of the assets determined in the state from which the assets were introduced. If the determined value does not reflect the market value, the market value will be used as a basis.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

(4^{13}) The difference between the market value and carrying amount of the assets to be moved out at the time the assets are moved out and the positive difference between the market value of the assets introduced to Estonia for the purpose of a permanent establishment and specified in subsection $4^{12}$and the value determined on the basis of the same subsection at the time the assets are moved out of the permanent establishment are also treated as profit attributed to the permanent establishment for the purposes of subsection 4. Moving assets out of a permanent establishment is treated as moving profit out in non-monetary form for the purposes of subsection 4.
[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(4^{14}) Introducing assets for the purpose of a permanent establishment and moving assets out of a permanent establishment is not deemed to be introducing assets or taking them out or posting them as collateral in connection with financing securities if the assets are moved back or the collateral is released within 12 months. The previous sentence also applies to assets that are introduced, moved out or posted as collateral in order to meet prudential capital requirements or for the purpose of liquidity management.
[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(5) On the basis of §§ 51 and 52, income tax is charged on all expenses or other payments not related to business and incurred through or on the account of the income of a permanent establishment. Payments not related to business and made through a non-resident credit institution's branch entered in the Estonian commercial register are subject to taxation on the basis of § 51 and subsection 3 of § 52.

(6) On the basis of § 54^1, income tax is charged on the income which would have been attributed to a permanent establishment or on the expenses which would not have been incurred through or on the account of a permanent establishment if no transaction or series of transactions corresponding to the characteristics specified in § 5^1had been made.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

(7) On the basis of § 54^2, income tax is charged on the exceeding borrowing costs incurred through or on the account of a permanent establishment.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

(8) On the basis of § 54^3, the share of the profit of a controlled foreign company generated through using the assets and undertaking the risks which are linked to significant people of a permanent establishment of the controlling company and have been received from ostensible transactions the main purpose of which was to obtain a tax advantage is attributed to and subject to taxation as the profit of the non-resident company's permanent establishment located in Estonia. The profit of a controlled foreign company attributable to a non-resident company's permanent establishment located in Estonia is calculated in accordance with the arm's length principle.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

(9) On the basis of § 54^7, a non-resident pays, through or on the account of a permanent establishment, income tax on the amount that has given rise to a mismatch in tax outcomes.
[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

§ 54. Declaration and payment of income tax

(1) A person or authority which grants fringe benefits taxable on the basis of § 48 is required to submit a tax return to the Tax and Customs Board concerning the fringe benefits granted during the calendar month by the tenth day of the calendar month following the tax period.
[RT I, 25.10.2012, 1 – entry into force 01.12.2012]

(2) A resident legal person and the non-resident specified in § 53 are required to submit a tax return concerning the expenses, revenue and payments specified in §§ 49–53 and the circumstances affecting the tax liability provided in §§ 50, 50^2, $52^1$and 53 in the previous calendar month to the Tax and Customs Board by the tenth day of the calendar month following the tax period.
[RT I, 28.02.2020, 2 – entry into force 01.07.2020]

(2^1) A resident credit institution and an Estonian branch of a non-resident credit institution are required to submit a tax return concerning the profit of the previous quarter to the Tax and Customs Board by the tenth day of the third month of each quarter.
[RT I, 07.07.2017, 3 – entry into force 01.01.2018]

(3) The formats of the tax return specified in subsections 1–$2^1$and §§ $54^4$and $54^9$and of the annexes thereto, and the rules for completion thereof are established by a regulation of the minister in charge of the policy sector.
[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(4) A taxpayer is required to transfer the income tax payable on the basis of §§ 48–53 to the bank account of the Tax and Customs Board no later than by the tenth day of the calendar month following the tax period.

(4^{1}) A resident credit institution and an Estonian branch of a non-resident credit institution may deduct the advance payments made on the basis of § 47^{1} from the income tax payable on the basis of subsection 1 or 2 of § 50, subsection 2^{2} of § 50 or subsection 4 of § 53. Upon calculation of the income tax payable on the basis of subsection 2^{2} of § 50, a refund of overpaid advance payments may be demanded. Advance payments can be deducted to the extent not deducted before.
[RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(5) If a resident company or a non-resident through or on the account of a permanent establishment located in Estonia has received from a non-resident company the income specified in subsection 1 or 2 of § 50 to which subsection 1^{1} or 2^{1} of § 50 does not apply or has received other income abroad, it may deduct the income tax paid or withheld on that income abroad from the income tax payable on the basis of subsection 1 or 2 of § 50 or subsection 4 of § 53, taking into account the provisions of subsection 9 of § 54^{7}. Only the part of the income tax of a foreign state the payment of which was mandatory on the basis of law or an international treaty may be deducted. In the event of the transactions specified in §§ 54^{1} and 54^{3}, it is deemed that the payment of income tax in a foreign state was not mandatory. Separate accounts are kept for income tax paid in each state. Income tax paid in a foreign state on the income which is a basis for the non-taxable payment pursuant to subsection 1^{1} or 12 of § 50 or subsection 4^{1} or 4^{7} of § 53 is not taken into account.
[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(5^{1}) [Repealed – RT I 2005, 25, 193 – entry into force 01.07.2005, applied retroactively as of 1 January 2005.]

(5^{2}) [Repealed – RT I 2005, 25, 193 – entry into force 01.07.2005, applied retroactively as of 1 January 2005.]

(5^{3}) [Repealed – RT I 2008, 51, 286 – entry into force 01.01.2009]

(5^{4}) [Repealed – RT I 2008, 51, 286 – entry into force 01.01.2009]

(5^{5}) Subsection 5 also applies if a resident company or a non-resident on the account of a permanent establishment located in Estonia is a partner of a limited partnership fund and the income specified in subsection 5 has been derived by the limited partnership fund. In such an event, the income tax paid or withheld on the income of a limited partnership fund abroad may be deducted in proportion to the holding of the resident or non-resident in the limited partnership fund.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(6) If a taxpayer applies the calculation in total specified in subsections 3 and 5 of § 49 or if the circumstances constituting the basis for taxation in clauses 3–5 of subsection 2 of § 51, subsection 3 of § 51 and subsections 2 and 3 of § 52 cease to exist, the taxpayer has the right to recalculate the income tax and demand a refund of the overpaid income tax. Respective recalculations are made in the tax return specified in subsection 2. The overpaid income tax is refunded in accordance with the rules provided in the Taxation Act.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

Chapter 10^{1}
MEASURES TO COMBAT TAX AVOIDANCE

[RT I, 28.12.2018, 44 - entry into force 01.01.2019]

§ 54^{1}. Income tax on transaction made for purpose of obtaining tax advantage

Income tax is charged on the amount that a resident company would have received as income or on the amount that a resident company would not have incurred as expenses if no transaction or series of transactions corresponding to the characteristics specified in § 5^{1} had been made.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

§ 54^{2}. Income tax on exceeding borrowing costs

(1) Income tax is charged on the exceeding borrowing costs of a resident company, except for a financial undertaking, which exceed 3,000,000 euros and 30% of the resident company's earnings before interest, tax, depreciation and amortisation (hereinafter *EBITDA*) of the financial year, in the part exceeding the loss of the resident company unless:
1) the resident company is not part of a consolidated group for financial accounting purposes and has no associated enterprise or permanent establishment; or

2) the loan is used to fund a long-term public infrastructure project where the project operator, borrowing costs, assets and income are all in the European Union; or
3) the resident company that is a member of a consolidated group for financial accounting purposes opts for application of subsection 8.

(2) Exceeding borrowing costs are the amount by which the deductible borrowing costs of a resident company exceed interest income and other economically equivalent taxable income. For the purposes of this Act, borrowing costs are deemed to be interest expenses on all forms of debt and other costs economically equivalent to interest and expenses incurred in connection with the raising of finance, including:
1) payments under profit participating loans;
2) imputed interest accrued on convertible bonds and zero coupon bonds;
3) amounts received under alternative financing arrangements;
4) the finance cost element of finance lease payments;
5) capitalised interest that is included in the balance sheet value of a related asset, or the depreciation cost of capitalised interest;
6) amounts measured by reference to a funding return under the arm's length principle;
7) notional interest under derivative instruments or hedging arrangements related to the entity's borrowings;
8) foreign exchange gains and losses on borrowings and instruments connected with the raising of finance;
9) guarantee fees for financing arrangements, arrangement fees and similar costs related to the borrowing of funds.

(3) A financial undertaking is a credit institution, an investment firm, an alternative investment fund manager, a management company for collective investment in transferable securities, an insurance undertaking, a reinsurance undertaking, an institution for occupational retirement provision, a pension insurance institution, an alternative investment fund, an undertaking for collective investment in transferable securities, a central counterparty or a central securities depository.

(4) A consolidated group for financial accounting purposes is a group consisting of all entities which are fully included in the consolidated financial statements drawn up in accordance with the International Financial Reporting Standards or the national financial reporting system of a Member State of the European Union.

(5) An associated enterprise is:
1) an entity in which a resident company has a direct or indirect holding of at least 25% of the voting rights or capital, or is entitled to receive at least 25% of the profit of that entity;
2) a natural person or an entity who has a direct or indirect holding of at least 25% of the voting rights or capital of a taxpayer or is entitled to receive at least 25% of the profit of the taxpayer;
3) all entities concerned if the natural person or entity has a direct or indirect holding of at least 25% in the taxpayer and in one or more entities.

(6) A long-term public infrastructure project is a project to provide, upgrade, operate or maintain a large-scale asset that is considered in the general public interest by a Member State of the European Union.

(7) The EBITDA is calculated by adding back to the income subject to income tax the tax-adjusted amounts for exceeding borrowing costs as well as the tax-adjusted amounts for depreciation and amortisation. If there are no tax-adjusted amounts, the calculation is based on the accounting amounts. The following are excluded from the EBITDA:
1) income exempt from income tax, including income on the account of which the distributed profit is not subject to taxation;
2) all the income from the loan used to fund the entire long-term public infrastructure project.

(8) A resident company that is a member of a consolidated group for financial accounting purposes may choose that its exceeding borrowing costs are not subject to taxation if it demonstrates that its equity to total assets ratio is equal to or higher than the equity to total assets ratio of the group, except for the financial undertakings belonging to the group, and if the following conditions are met:
1) the equity to total assets ratio of a resident company is considered to be equal to the equity to total assets ratio of the group if the equity to total assets ratio of the resident company is lower than that of the group by up to two percentage points;
2) all assets and liabilities are valued using the same method as in the consolidated financial statements drawn up in accordance with the International Financial Reporting Standards or the national financial reporting system of a Member State of the European Union.

(9) A resident company that is a member of a consolidated group for financial accounting purposes may rely on a limit on exceeding borrowing costs higher than that provided in subsection 1. The higher limit on exceeding borrowing costs is calculated in two stages:
1) the ratio is calculated by dividing the exceeding borrowing costs of the group, except for the borrowing costs of the financial undertakings belonging to the group and the borrowing costs specified in clause 2 of subsection 1, vis-ą-vis third parties over the EBITDA of the group, except for the financial undertakings of the group;
2) the ratio obtained is multiplied by the EBITDA of the resident company.

(10) If the exceeding borrowing costs of a resident company remain below the limit provided in this section during a tax period, the resident company has the right to make the income tax recalculation on the income tax

paid on the exceeding borrowing costs in the preceding tax periods up to the limit provided in this section and demand a refund of the overpaid income tax. The recalculations are made in the declaration specified in § 54^{4}. The overpaid income tax is refunded in accordance with the rules provided in the Taxation Act.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

§ 54^{3}. Income tax on profit of controlled foreign company

(1) The share of the profit of a controlled foreign company generated through using the assets and undertaking the risks which are linked to significant people of the controlling company and have been received from ostensible transactions the main purpose of which was to obtain a tax advantage is attributed to and subject to taxation as the profit of the resident company. The profit of a controlled foreign company attributable to a resident company is calculated in accordance with the arm's length principle.

(2) Upon application of subsection 1, a transaction or a series of transactions is regarded as ostensible if the entity or permanent establishment would not own the assets or would not have undertaken the risks which generate all, or part of, its income if it were not controlled by a company where the significant people functions, which are relevant to those assets and risks, are carried out and are instrumental in generating the controlled company's income.

(3) The following are treated as a controlled foreign company:
1) an entity in the event of which a resident company by itself or together with its associated enterprises has a direct or indirect holding of more than 50% of the voting rights for the purposes of subsection 5 of § 54^{2}, or owns directly or indirectly more than 50% of capital or is entitled to receive more than 50% of the profit of that entity;
2) a permanent establishment.

(4) Subsection 1 does not apply to a resident company the profit of the controlled company of which for the previous financial year does not exceed 750,000 euros and whose other operating income, profit from subsidiaries, associated enterprises and financial investments, interest income and other financial income in total do not exceed 75,000 euros in the same period.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

§ 54^{4}. Declaration and payment of income tax

(1) The non-resident specified in § 53 and the company specified in § $54^{1}$are required to declare to the Tax and Customs Board the income forgone or expenses incurred during a tax period due to the transaction or the series of transactions specified in § $5^{1}$by the tenth day of the calendar month following the tax period.

(2) A taxpayer is required to transfer the income tax payable on the basis of subsection 6 of § 53 and § $54^{1}$to the bank account of the Tax and Customs Board no later than by the tenth day of the calendar month following the tax period.

(3) The non-resident specified in § 53 and the company specified in § $54^{2}$are required to declare to the Tax and Customs Board the taxable exceeding borrowing costs arisen in the financial year no later than by the tenth day of the ninth calendar month of the next financial year.

(4) A taxpayer is required to transfer the income tax payable on the basis of subsection 7 of § 53 and § $54^{2}$to the bank account of the Tax and Customs Board no later than by the tenth day of the ninth calendar month of the next financial year.

(5) The non-resident specified in § 53 and the company specified in § $54^{3}$are required to declare to the Tax and Customs Board the profit taxable in Estonia no later than by the tenth day of the ninth calendar month of the next financial year of the controlled foreign company.

(6) A taxpayer is required to transfer the income tax payable on the basis of subsection 8 of § 53 and § $54^{3}$to the bank account of the Tax and Customs Board no later than by the tenth day of the ninth calendar month of the next financial year of the controlled foreign company.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

(7) The company specified in § $54^{5}$is required to declare to the Tax and Customs Board the assets transferred to its permanent establishment during the tax period by the tenth day of the calendar month following the tax period.
[RT I, 28.12.2018, 44 – entry into force 01.01.2020]

(8) A taxpayer is required to transfer the income tax payable on the basis of § 54^5 to the bank account of the Tax and Customs Board no later than by the tenth day of the calendar month following the tax period, except in the event specified in subsection 3 of § 54^5.
[RT I, 28.12.2018, 44 – entry into force 01.01.2020]

§ 54^5. Exit income tax

(1) Income tax is charged on the amount that is equal to the difference between the market value and carrying amount of the assets to be moved out at the time the assets are moved out of Estonia if a resident company moves assets to a permanent establishment located in another Member State of the European Union or in a third country.

(2) Subsection 1 does not apply to moving assets out in connection with financing securities, to assets posted as collateral or where the assets are moved out in order to meet prudential capital requirements or for the purpose of liquidity management if the assets are set to revert to Estonia within a period of 12 months.

(3) The payment of the income tax specified in subsection 1 and in subsection 2^2 of § 50 may be deferred, by paying it within up to five years, in any of the following circumstances:
1) a resident company moves assets out to a permanent establishment in a Contracting State;
2) a resident company becomes a resident of another Contracting State.

(4) Subsection 3 does not apply to third countries that are parties to the EEA Agreement if they have not concluded an agreement with Estonia or with the European Union on the mutual assistance for the recovery of tax claims, equivalent to the mutual assistance provided in Council Directive 2010/24/EU concerning mutual assistance for the recovery of claims relating to taxes, duties and other measures (OJ L 84, 31.3.2010, p. 1–12).

(5) If there is a reasonable doubt about non-recovery, a taxpayer may also be required to provide a collateral upon deferring payment of the income tax as provided in subsection 3. The payment of the income tax is deferred, a collateral is requested and interest is paid on a deferred income tax liability in accordance with the rules provided in the Taxation Act.

(6) The deferral of payment of the income tax as provided in subsection 3 is cancelled and the tax arrears become recoverable in the following events:
1) the assets moved out or the enterprise forming part of a permanent establishment are sold or otherwise disposed of;
2) the assets moved out are subsequently transferred to a third country;
3) the company's tax residence or the economic activities of its permanent establishment are transferred to a third country;
4) the company is declared bankrupt or is liquidated;
5) the company fails to perform its obligations in relation to the instalments and does not correct its situation within a period of 12 months.

(7) Clauses 2 and 3 of subsection 6 do not apply to third countries that are parties to the EEA Agreement if they have concluded an agreement with Estonia or with the European Union on the mutual assistance for the recovery of tax claims, equivalent to the mutual assistance provided in Council Directive 2010/24/EU.
[RT I, 28.12.2018, 44 – entry into force 01.01.2020]

Chapter 10^2 TAXATION UPON MISMATCH IN TAX OUTCOMES

[[RT I, 23.12.2019, 2 - entry into force 01.01.2020]]

§ 54^6. Definitions used in this Chapter

[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(1) Mismatch outcome is a situation where:
1) it is allowed, upon calculation of the tax liability, to include the same payment, expenses or losses (hereinafter together *expenses*) in expenses in more than one jurisdiction;
2) it is allowed, upon calculation of the tax liability, to include the same payment or deemed payment (hereinafter together *payment*) in expenses in the jurisdiction where that payment is treated as made, but, upon calculation of taxable profit, it is not included in income in the jurisdiction where the payment is treated as received.

(2) Mismatch in tax outcomes is a mismatch outcome that has arisen:
1) between a resident company and its associated enterprise;
2) between a legal person and its permanent establishment;
3) between two or more permanent establishments of a non-resident legal person, one of which is located in Estonia;

4) as a result of a payment made to or by a hybrid entity; or
5) as a result of a tax scheme.

(3) Mismatch in tax outcomes is also a situation that arises if a payment made under a financial instrument gives rise to the mismatch outcome described in clause 2 of subsection 1 due to the fact that the jurisdictions have classified the financial instrument or a payment made under it differently and, upon calculation of profit, this payment is not included in income by the payee jurisdiction within a reasonable period of time. No mismatch in tax outcomes arises if the payment is made by a trader under an on-market hybrid transfer and, pursuant to the legislation of the payer jurisdiction, the trader treats all the income received from trading in the financial instruments as part of its taxable profit.

(4) A payment made under a financial instrument is included within a reasonable period of time for the purposes of subsection 3 if:
1) upon calculation of profit, the payment is included in income by the payee jurisdiction in the tax period that commences within a period of 12 months of the end of the payer's tax period; or
2) it is reasonable to expect that, upon calculation of profit, the payment will be included in income by the payee jurisdiction the next tax period, and the payment has been made under the arm's length principle.

(4^{1}) No mismatch in tax outcomes arises if, in addition to expenses, income is also included upon taxation in both jurisdictions in a situation where:
1) a payment made to a hybrid entity gives rise to the mismatch outcome specified in clause 2 of subsection 1 because the payee jurisdiction does not recognise the payment;
2) a deemed payment made between the head office and permanent establishment or between two or more permanent establishments gives rise to the mismatch outcome specified in clause 2 of subsection 1 because the payee jurisdiction does not recognise the payment; or
3) the mismatch outcome specified in clause 1 of subsection 1 arises.
[RT I, 30.06.2023, 107 – entry into force 01.07.2023, applied retroactively as of 1 January 2023.]

(5) The person or entity specified in subsection 5 of § $54^{2}$is treated as an associated enterprise, taking into account the following special rules:
1) upon application of clause 1 of subsection 1 and clauses 2–5 of subsection 2 of this section, subsection 7 of § $54^{7}$and § 54^{8}, the 25% requirement provided in subsection 5 of § $54^{2}$is replaced by the 50% requirement;
2) upon application of §§ $54^{7}$and 54^{8}, a person who has a voting right in an entity or holds a participation in the capital of an entity together with another person is treated as also exercising the voting right held by the other person and holding a participation in the capital held by the other person;
3) upon application of §§ $54^{7}$and 54^{8}, an associated enterprise also means an entity that is part of the same consolidated group for financial accounting purposes as the taxpayer, an undertaking in which the taxpayer has a significant influence in the management as well as an undertaking that has a significant influence in the management of the taxpayer.

(6) Payer jurisdiction is the jurisdiction in which the payment has its source or in which it is treated as made, in which the expenses are incurred or the losses are suffered. In the event of a payment made through or on the account of a hybrid entity or permanent establishment, the payer jurisdiction is the jurisdiction where the hybrid entity or permanent establishment is founded or located.

(7) Head office or hybrid entity shareholder jurisdiction is the jurisdiction that allows, in addition to the payer jurisdiction, the inclusion of the expenses specified in clause 1 of subsection 1.

(8) Payee jurisdiction is the jurisdiction where the payment is received or where it is treated as being received under the legislation of another jurisdiction.

(9) Expenses deducted are the amount that is allowed to be included in expenses upon calculation of taxable profit in the payer or head office or hybrid entity shareholder jurisdiction.

(10) Income included is the amount that is taken into account as income upon calculation of taxable profit in the payee jurisdiction. A payment under a financial instrument is not treated as income included if the payment qualifies for any tax relief solely due to the way that payment is characterised in the payee jurisdiction.

(11) Tax relief means a tax exemption, reduction in the tax rate and right to reduction in tax liability or to tax refund. The right to include the income tax withheld in a foreign state is not treated as tax relief.

(12) Dual inclusion income is the income that is included upon taxation in more than one jurisdiction where the mismatch outcome has arisen.

(13) Hybrid entity is an entity that is treated as a taxpayer in one jurisdiction, but whose income or expenditure is treated as income or expenditure of another person in another jurisdiction.

(14) Financial instrument is any security transferred in the course of a hybrid transfer the return or profit earned on which is subject to taxation in the payer or payee jurisdiction as the income or profit derived from external capital, equity or derivatives.

(15) Trader is a person or entity engaged in business of regularly buying and selling financial instruments on its own account.

(16) Hybrid transfer is any transaction to transfer a financial instrument where the return derived from the financial instrument as a result of the transfer is treated for tax purposes as return derived simultaneously by more than one of the parties to that transaction.

(17) On-market hybrid transfer is any hybrid transfer that is entered into by a trader in the ordinary course of business, and not as part of a tax scheme.

(18) Disregarded permanent establishment is an economic entity that is treated as a permanent establishment by the head office jurisdiction and not by the jurisdiction of its location.

(19) Tax scheme is a transaction or a series of transactions a prerequisite for which is the occurrence of a mismatch in tax outcomes or which has been designed to produce a mismatch in tax outcomes. A transaction or a series of transactions, which is in compliance with the aforementioned conditions, is not treated as a tax scheme if the parties to the transactions could not reasonably have been expected to be aware of the mismatch outcome and did not share in the tax relief resulting from the mismatch in tax outcomes.
[RT I, 30.06.2023, 107 – entry into force 01.01.2024]

§ 54^{7}. Income tax on amount giving rise to mismatch in tax outcomes

[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(1) If a mismatch in tax outcomes arises as a result of the situation described in clause 1 of subsection 1 of § $54^{6}$and a resident company or a non-resident legal person is, through a permanent establishment located in Estonia, a shareholder of a hybrid entity or the head office of a permanent establishment located abroad, it will pay income tax on the amount that is allowed to be deducted as expenses in the payer jurisdiction.

(2) If a mismatch in tax outcomes arises as a result of the situation described in clause 1 of subsection 1 of § 546 and the payer is a resident company or a non-resident legal person through or on the account of a permanent establishment located in Estonia, it will pay income tax on the amount that is allowed to be deducted as expenses in the head office or hybrid entity shareholder jurisdiction.

(3) Subsections 1 and 2 do not apply if, in addition to expenses, income is also included upon taxation in both jurisdictions. If dual inclusion income arises in the tax periods following the tax period when the expenses are incurred, a resident company and a non-resident legal person through a permanent establishment located in Estonia have the right to make a recalculation of the income tax paid in previous tax periods on the basis of subsections 1 and 2 and demand a refund of overpaid income tax. The recalculation is made in the declaration specified in § 54^{9}. The overpaid income tax is refunded in accordance with the rules provided in the Taxation Act.

(4) If a mismatch in tax outcomes arises as a result of the situation described in clause 2 of subsection 1 of § 546 and the payer is a resident company or a non-resident legal person through or on the account of a permanent establishment located in Estonia, it will pay income tax on the amount that is not included in income in the payee jurisdiction.

(5) If a mismatch in tax outcomes arises as a result of the situation described in clause 2 of subsection 1 of § 546 and the payee is a resident company or a non-resident legal person through or on the account of a permanent establishment located in Estonia and the payment has been included in expenses in the payer jurisdiction, the tax relief provided in subsection $1^{1}$of § 50 and subsection $4^{1}$of § 53 does not apply to the amount that would give rise to the mismatch outcome.

(6) Subsection 5 does not apply if the mismatch in tax outcomes described in clause 2 of subsection 1 of § 54^{6}arises:
1) from difference in the rules for allocation of a payment made to a hybrid entity in the hybrid entity jurisdiction and in the jurisdiction of the person having a holding in the hybrid entity;
2) from difference in the rules for allocation of a payment made to an entity having a permanent establishment in the head office jurisdiction and the permanent establishment jurisdiction;
3) as a result of a payment made to a disregarded permanent establishment;
4) as a result of a deemed payment between the head office and permanent establishment due to the fact that the payment is disregarded in the payee jurisdiction.

(7) Income tax is charged on the payments made by a resident company or through or on the account of a non-resident legal person’s permanent establishment located in Estonia which directly or indirectly fund deductible or non-taxable expenses that give rise to a mismatch in tax outcomes through a transaction or series of transactions between associated enterprises or as part of a tax scheme. If one of the jurisdictions involved in

the transaction or series of transactions has already charged tax on the amount related to the mismatch in tax outcomes, the provisions of the previous sentence do not apply.

(8) If a resident company is a resident of two or more jurisdictions, income tax is charged on the expenses that it can deduct in the other jurisdiction from the income that is not dual inclusion income. The expenses specified in the previous sentence are not subject to taxation in Estonia if the other country of tax residence is a Member State and, based on an international treaty concluded with the Member State, the taxpayer is deemed to be an Estonian resident. If dual inclusion income arises in the tax periods following the tax period when the expenses are incurred, a resident company or a non-resident legal person through a permanent establishment located in Estonia has the right to make a recalculation of the income tax paid in previous tax periods on the basis of this subsection and demand a refund of overpaid income tax. The recalculation is made in the declaration specified in § 54^{9}. The overpaid income tax is refunded in accordance with the rules provided in the Taxation Act.

(9) If a hybrid transfer gives rise to the right to deduct income tax withheld on a payment derived from a transferred financial instrument that is treated as income of more than one party to the transaction, a resident company and a non-resident who has a permanent establishment in Estonia have the right to include the income tax withheld in proportion to the net taxable income.

(10) Clause 2 of subsection 1^{1} of § 50 does not apply to a disregarded permanent establishment.
[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

§ 54^{8}. Income tax liability of hybrid entity

[RT I, 23.12.2019, 2 – entry into force 01.01.2022]

(1) A trust fund or its manager pays income tax on the income that would have been attributed to a shareholder of the trust fund in proportion to the shareholder's share in the trust fund if this income is not subject to taxation pursuant to subsection 11 or 12 of § 29 or the legislation of another jurisdiction and if at least one shareholder of the trust fund is a non-resident affiliated company having in aggregate a direct or indirect holding of at least 50% in the trust fund and who is located in a jurisdiction that treats the trust fund as a person liable to income tax.
[RT I, 30.06.2023, 107 – entry into force 01.01.2024]

(2) Subsection 1 does not apply to a collective investment vehicle. For the purposes of this section, collective investment vehicle means an investment fund or vehicle that is widely held, holds a diversified portfolio of securities and is subject to investor-protection regulation in the country in which it is established.
[RT I, 30.06.2023, 107 – entry into force 01.07.2023, applied retroactively as of 1 January 2023.]

§ 54^{9}. Declaration and payment of income tax

[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(1) The non-resident specified in § 53 and the taxpayer specified in §§ 54^{7} and 54^{8} are required to declare to the Tax and Customs Board the amount that gave rise to a mismatch in tax outcomes in the financial year no later than by the tenth day of the ninth calendar month of the next financial year.
[RT I, 23.12.2019, 2 – entry into force 01.01.2022]

(2) A taxpayer is required to transfer the income tax payable pursuant to subsection 9 of § 53 and §§ 54^{7} and 54^{8} to the bank account of the Tax and Customs Board no later than by the tenth day of the ninth calendar month of the next financial year.
[RT I, 23.12.2019, 2 – entry into force 01.01.2022]

Chapter 10^{3}
GLOBAL MINIMUM TAX

[RT I, 02.05.2024, 1 - entry into force 12.05.2024]

§ 54^{10}. Obligations related to global minimum tax

(1) This section applies to constituent entities located in Estonia that are members of a multinational group with its ultimate parent entity located in Estonia (hereinafter in this Chapter also *group*), which has a total income of at least 750,000,000 euros, also taking into account the total income of the excluded entities referred to in subsection 3, in its ultimate parent entity's consolidated financial statements in at least two of the four financial years immediately preceding the tested financial year.

(2) Where at least one of the four financial years specified in subsection 1 is longer or shorter than 12 months, the income threshold specified in the same subsection will be adjusted proportionally for each of those financial years.

(3) This section does not apply to the following entities (hereinafter *excluded entity*):
1) a government entity, an international organisation, a non-profit organisation and a pension fund, as well as an investment fund and a real estate investment vehicle that is an ultimate parent entity;
2) an entity where at least 95 per cent of the value of the entity is owned, immediately or through at least one excluded entity directly or indirectly, by at least one of the entities specified in clause 1, except by a pension services entity, and which exclusively or almost exclusively holds assets or invests funds for the benefit of the entity specified in clause 1 or exclusively or almost exclusively carries out activities ancillary to those performed by the entity specified in the same clause;
3) an entity where at least 85 per cent of the value of the entity is owned, immediately or through at least one excluded entity directly or indirectly, by at least one of the entities specified in clause 1, except by a pension services entity, provided that the majority of its income consists of dividends or gains or losses derived from holdings that are excluded from the computation of the qualifying income or loss in accordance with points (b) and (c) of Article 16(2) of Council Directive (EU) 2022/2523 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union (OJ L 328, 22.12.2022, p. 1–58).

(4) The ultimate parent entity located in Estonia designates the entity filing the minimum tax declaration in another Member State or, if the group has no entity in another Member State, in a third country or jurisdiction that has, for the reporting financial year, a qualifying competent authority agreement in effect for the reporting year with the minimum tax jurisdictions in which the other entities of the group are located.

(5) The constituent entities located in Estonia that are members of a group with its ultimate parent entity located in Estonia and the ultimate parent entity provide the entity filing the minimum tax declaration as designated by the ultimate parent entity with information necessary to comply with the requirements of Article 44(5) of Council Directive (EU) 2022/2523. The constituent entities located in Estonia that are members of a group with its ultimate parent entity located in Estonia may also provide the ultimate parent entity instead of the entity filing the minimum tax declaration with the aforementioned information.

(6) The definitions used in this Chapter are provided in Articles 3 and 20 of Council Directive (EU) 2022/2523.
[RT I, 02.05.2024, 1 – entry into force 12.05.2024]

§ 54[11]. Location of constituent entity

(1) For the purposes of this Chapter, an entity other than a flow-through entity is determined to be located in the jurisdiction where it is considered to be a resident based on its place of management or creation or other similar criteria. Where it is not possible to determine the location of an entity in this way, the entity is deemed to be located in the jurisdiction where it was created.

(2) A flow-through entity is considered to be stateless, unless it is the ultimate parent entity of a multinational group or of a large-scale domestic group or it is required to apply an Income Inclusion Rule (IIR) in accordance with Articles 5–8 of Council Directive (EU) 2022/2523. In this case, the entity is deemed to be located in the jurisdiction where it was created.

(3) The location of a permanent establishment is determined as follows:
1) a permanent establishment specified in point (13)(a) of Article 3 of Council Directive (EU) 2022/2523 is located in the jurisdiction where it is treated as a permanent establishment and where the income attributable to it is taxed under an article of an applicable tax treaty similar to Article 7 of the Model Convention of the Organisation for Economic Co-operation and Development;
2) a permanent establishment specified in point (13)(b) of Article 3 of Council Directive (EU) 2022/2523 is located in the jurisdiction where a non-resident legal person having a permanent establishment becomes subject to income tax based on its business presence;
3) a permanent establishment specified in point (13)(c) of Article 3 of Council Directive (EU) 2022/2523 is located in the jurisdiction where it is situated;
4) a permanent establishment specified in point (13)(d) of Article 3 of Council Directive (EU) 2022/2523 is considered to be stateless.

(4) Where a constituent entity is located in more than one jurisdiction and those jurisdictions have entered into a tax treaty, the constituent entity is deemed to be located in the jurisdiction where it is considered to be a resident under that tax treaty. Where the tax treaty requires that the competent authorities reach a mutual agreement on the deemed residence of the constituent entity, but no agreement is reached, subsection 5 will apply. Where there is no elimination of double taxation under the tax treaty due to the fact that a constituent entity is a resident in both contracting parties, subsection 5 will apply.

(5) Where a constituent entity is located in more than one jurisdiction and those jurisdictions have not entered into a tax treaty, the constituent entity is deemed to be located in the jurisdiction where it paid the higher amount of covered taxes for the financial year. For the purpose of computing the amount of covered taxes, the amount of tax paid in accordance with a controlled foreign company tax regime is not taken into consideration. If the amount of covered taxes due in all the jurisdictions is the same or zero, the constituent entity is deemed to be

located in the jurisdiction where it has the higher amount of income excluded on the basis of the substantive economic activity carve-out which has been computed on an entity basis in accordance with Article 28 of Council Directive (EU) 2022/2523. If the amount of income excluded on the basis of the substantive economic activity carve-out in all the jurisdictions is the same or zero, the constituent entity is considered to be stateless. This does not apply to an ultimate parent entity, which is in such case deemed to be located in the jurisdiction where it was created.

(6) Where, as a result of applying subsections 4 and 5, a parent entity is deemed to be located in a jurisdiction where it is not subject to a qualified IIR, it will be deemed to be subject to the qualified IIR of the other jurisdiction, unless an applicable tax treaty prohibits the application of such rule.

(7) Where a constituent entity changes its location in the course of a financial year, it is deemed to be located in the jurisdiction where it was deemed to be located under this section at the beginning of that financial year.
[RT I, 02.05.2024, 1 – entry into force 12.05.2024]

Chapter 11
INFORMATION OBLIGATION

§ 55. Submission of annual report

(1) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(2) A non-resident legal person which has a permanent establishment in Estonia (§ 7) is required to submit a signed copy of the annual report of the permanent establishment to the Tax and Customs Board within six months after the end of the financial year.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

§ 56. Notification of payments made to shareholders

[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(1) A resident company, except for a public limited fund, is required to submit a declaration to the Tax and Customs Board concerning the amount and recipients of the dividends paid and of the other profit distributions, liquidation proceeds or payments made upon reducing the share capital or contributions and upon redeeming or returning shares or contributions or made from the equity of the company in another event during the tax period.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(1^1) A public limited fund is required to submit a declaration to the Tax and Customs Board concerning the amount and recipients of the dividends and other profit distributions and liquidation proceeds paid during the tax period.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

(2) [Repealed – RT I 2006, 28, 208 – entry into force 01.01.2007]

(2^1) [Repealed – RT I 2008, 51, 286 – entry into force 01.01.2009]

(3) The declaration specified in subsections 1 and 1^1 is submitted by the tenth day of the calendar month following the month when the payment was made. The format of the declaration and the rules for completion thereof are established by a regulation of the minister in charge of the policy sector.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

§ 56^1. Notification of compensation for use of personal automobile

A resident legal person, a state authority or a municipal authority, an employer who is a natural person, and a non-resident who has a permanent establishment or operates as an employer in Estonia, who has made the payments specified in clause 2 or 2^1 of subsection 3 of § 13 to a natural person during a calendar year is required to submit a declaration concerning the payments to the Tax and Customs Board by 1 February of the year following the calendar year. The format of the declaration and the rules for completion thereof are established by a regulation of the minister in charge of the policy sector.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

§ 56^2. Notification of training expenses

(1) A resident legal person, a state authority, a municipal authority, an employer who is a natural person, a non-resident who has a permanent establishment and a non-resident who operates as an employer in Estonia,

who has covered the expenses on formal education specified in clause 10 of subsection 4 of § 48, which are not treated as a fringe benefit, during a calendar year is required to submit a declaration concerning such expenses to the Tax and Customs Board by 1 February of the following year.

(2) The format of the declaration and the rules for completion thereof are established by a regulation of the minister in charge of the policy sector.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

§ 56^{3}. Notification of income of limited partnership fund

A limited partnership fund is required to submit a declaration to the Tax and Customs Board concerning the income derived during a calendar year and the persons who had a holding in the fund at the time the income was derived, the amount of the share in the income attributable to them and their tax residence by 1 February of the year following the calendar year when the income was derived. The format of the declaration and the rules for completion thereof are established by a regulation of the minister in charge of the policy sector.
[RT I, 31.12.2016, 3 – entry into force 10.01.2017]

§ 56^{4}. Notification of use of health improvement tax incentive

(1) A resident legal person, a state authority, a municipal authority, an employer who is a natural person, a non-resident who has a permanent establishment and a non-resident who operates as an employer in Estonia, who has covered the expenses specified in subsection $5^{5}$of § 48 during a calendar year is required to submit a declaration concerning the expenses to the tax and Customs Board by 1 February of the following year.

(2) The format of the declaration and the rules for completion thereof are established by a regulation of the minister in charge of the policy sector.
[RT I, 24.12.2016, 1 – entry into force 01.01.2018]

§ 56^{5}. Notification of loan granted to associated person

A resident company and a non-resident company's permanent establishment located in Estonia, except for a public limited fund, a resident credit institution and an Estonian branch of a non-resident credit institution, are required to submit a declaration to the Tax and Customs Board concerning the loans granted to the persons specified in § $50^{2}$and repayment thereof during the previous quarter by the twentieth day of the month following the quarter. The format of the declaration and the rules for completion thereof are established by a regulation of the minister in charge of the policy sector.
[RT I, 07.07.2017, 3 – entry into force 01.01.2018]

§ 57. Notification of register entries

[Repealed – RT I, 11.07.2014, 5 – entry into force 01.01.2015]

§ 57^{1}. Information obligation relating to tax incentives

(1) [Repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(2) A state or municipal educational institution, a university in public law and a private school holding an activity licence, registration in the Estonian Education Information System or having the right to provide vocational education or instruction at the level of higher education, are required to submit a declaration to the Tax and Customs Board concerning the training expenses specified in § 26 and paid during a calendar year by natural persons.
[RT I, 02.07.2013, 1 – entry into force 01.07.2014 (entry into force changed – RT I, 22.12.2013, 1)]

(3) A person entered in the list specified in subsection 1 of § 11 is required to submit a declaration to the Tax and Customs Board concerning the gifts and donations received during a calendar year and concerning the use of such gifts, donations and other income, including the recipients of scholarships and grants not subject to income tax pursuant to subsection 6 of § 19 and the amount of a scholarship or grant paid to each person. A religious association is not required to submit the declaration specified in the previous sentence concerning the receipt of gifts and donations.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(3^{1}) A PEPP provider is required to submit a declaration to the Tax and Customs Board concerning the contributions received during a calendar year on the basis of a PEPP contract, taking into account the provisions of clause 3 of subsection 1 of § 28 and subsections $1^{1}$and $1^{3}$of § 28.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(4) An insurance undertaking is required to submit a declaration to the Tax and Customs Board concerning the part of insurance premiums the purpose of payment of which was to pay an insured sum as a pension and which have been received during a calendar year on the basis of an insurance contract for a supplementary funded

pension which meets the conditions of § 63 of the Funded Pensions Act. The declaration does not display the insurance premiums specified in subsection 5^2 of § 63 and in subsection 3 of § 65.
[RT I, 18.02.2011, 1 – entry into force 01.01.2012]

(5) The registrar of the pension register is required to submit a declaration to the Tax and Customs Board concerning the amounts paid to acquire units of voluntary pension funds, except for units of pension funds registered as a PEPP, during a calendar year. The declaration does not display the amounts for which the units of the pension fund were acquired in the course of exchanging the units or the contribution specified in subsection 5^2 of § 63 of the Funded Pensions Act.
[RT I, 17.03.2023, 5 – entry into force 27.03.2023]

(5^1) [Repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(5^2) The central securities depository and the registrar of the pension register submit to the Tax and Customs Board the following information concerning a resident natural person who transferred securities during the tax period:
[RT I, 26.06.2017, 1 – entry into force 06.07.2017]
1) given name, surname and personal identification code;
2) name of issuer of the security;
3) type and ISIN code of the security;
4) amount of the securities;
5) selling price;
6) date of transfer.

(5^3) A resident credit or financial institution, a branch of a non-resident credit institution entered in the Estonian commercial register and an insurance undertaking are required to submit to the Tax and Customs Board a declaration concerning the interest and insurance indemnity specified in clause 4 of subsection 2 of § 40 and paid to natural persons, on which income tax has not been withheld.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(6) The declarations and information specified in subsections 1–5^3 are submitted by 1 February of the year following the calendar year. The declaration concerning the use of gifts, donations and other income as specified in subsection 3 is submitted by 1 July of the year following the calendar year. The formats of the declarations and the rules for submission thereof are established by a regulation of the minister in charge of the policy sector.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(7) The Agricultural Registers and Information Board is required to submit to the Tax and Customs Board by 1 February of the year following the calendar year a declaration concerning the Natura 2000 support for private forest land paid to natural persons in the calendar year.
[RT I, 10.07.2020, 5 – entry into force 20.07.2020]

(8) [Repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2025]

§ 57^2. Obligation to notify of interest

[Repealed – RT I, 24.12.2016, 1 – entry into force 01.01.2017]

Chapter 12
IMPLEMENTING PROVISIONS

§ 58. Taxation of income of 1999

[Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

§ 59. Calculation of income tax upon transfer of fixed assets

(1) A taxpayer who is a natural person and owns fixed assets on which depreciation has been calculated on the basis of § 17 of the Income Tax Act in force before entry into force of this Act calculates the gain or loss (§ 37) from the transfer of an item of fixed assets on the basis of the adjusted cost of the assets. The adjusted cost is deemed to be the value of fixed assets carried over to the next tax period, as set out in the tax depreciation table drawn up about the last tax period which ended by the day of entry into force of this Act. In the event of fixed assets classified under Depreciation Group II, the adjusted cost of each single item of fixed assets is calculated proportionally according to the ratio of the acquisition cost of each item to the total amount of the acquisition costs of all items of fixed assets classified under Depreciation Group II.

(2) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(3) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(4) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(5) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

§ 60. Special rules upon taxation of dividends

[Repealed – RT I, 23.12.2013, 3 – entry into force 01.01.2015]

§ 61. Other implementing provisions

(1) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(2) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(3) The loss carried forward on the basis of § 22 of the Income Tax Act in force before the entry into force of this Act may be deducted in accordance with § 39 from the gains derived from the sale of the taxpayer's property.

(4) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(5) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(6) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(7) [Repealed – RT I 2010, 34, 181 – entry into force 01.01.2024]

(8) [Repealed – RT I 2005, 25, 193 – entry into force 01.07.2005, applied retroactively as of 1 January 2005.]

(9) Income tax at the rate provided in subsection 1 of § 4 of this Act is charged on payments made by an insurance undertaking on the basis of an insurance contract for a supplementary funded pension, which has been entered into before 1 May 2002, taking into account the special rules provided in subsections 10–12.
[RT I 2005, 25, 193 – entry into force 01.07.2005, the reference to subsection 1 of § 4 of this Act provided in subsection 9 applied retroactively as of 1 January 2005.]

(10) Income tax at the rate of 10% is charged on payments made by an insurance undertaking to a policyholder on the basis of an insurance contract for a supplementary funded pension, which has been entered into before 1 May 2002, after the policyholder has attained 55 years of age or upon liquidation of the insurance undertaking.
[RT I, 22.12.2021, 5 – entry into force 01.01.2022, applied retroactively as of 1 January 2021]

(11) Income tax is not charged on a pension paid to a policyholder on the basis of an insurance contract for a supplementary funded pension, which has been entered into before 1 May 2002, after the policyholder has attained 55 years of age until their death periodically at least once every three months, and on payments made to a policyholder who has been established to have no work ability or who had no work ability immediately before the pensionable age.
[RT I, 22.12.2021, 5 – entry into force 01.01.2022, applied retroactively as of 1 January 2021]

(12) Income tax at the rate provided in subsection 1 of § 4 of this Act is charged on insurance indemnities paid in the event of death on the basis of an insurance contract for a supplementary funded pension, which has been entered into before 1 May 2002, irrespective of the provisions of subsection 5 of § 20 and subsection 5 of § 21.
[RT I 2005, 25, 193 – entry into force 01.07.2005, the reference to subsection 1 of § 4 of this Act provided in subsection 12 applied retroactively as of 1 January 2005.]

(13) [Repealed – RT I, 29.03.2012, 1 – entry into force 01.01.2013]

(13^1) [Repealed – RT I, 29.03.2012, 1 – entry into force 01.01.2013]

(14) If an insurance contract for a supplementary funded pension has been entered into before 1 May 2002, a resident natural person may, in addition to that provided in clause 1 of subsection 1 of § 28, deduct from their income derived during a tax period such part of the insurance premiums, which has been paid on the basis of the aforementioned contract during the tax period and the purpose of which is to ensure payment of the insured sum as an indemnity in the event of death.

(15) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(16) Subsection $1^1$of § 28 does not apply to contracts for a supplementary funded pension entered into before 1 May 2002.

(17) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(18) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(19) The tax rate provided in subsection 1 of § 4 applies to income tax payable for the respective tax period.

(20) [Repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2024]

(21) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(22) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(23) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(24) If the contractual relationship has started before 1 January 2004, the information concerning the recipient of the interest specified in subsection 1 of § 57^{2} may be limited to the name, state of residence and address in the state of residence of the recipient of the interest. The information is verified on the basis of data available to the interest payer.
[RT I 2005, 36, 277 – entry into force 01.01.2006, the provisions of subsection 24 apply to interest paid as of the same date.]

(25) The amount of income tax to be deducted on the basis of subsection 5 of § 54 may not exceed, according to the time when the tax liability is created on the basis of subsection 1 or 2 of § 50 or subsection 4 of § 53, the amount which forms 20/80 of the amount of the payment made by the non-resident.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(26) Subsection 1^{1} of § 50, subsection 4^{1} of § 53 and subsection 5 of § 54 are applied to the payments made on the account of a dividend received as of 1 January 2005.
[RT I 2005, 25, 193 – entry into force 01.07.2005, subsection 26 applied retroactively as of 1 January 2005.]

(27) [Repealed – RT I, 23.12.2013, 3 – entry into force 01.01.2015]

(28) [Repealed – RT I, 23.12.2013, 3 – entry into force 01.01.2015]

(29) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(30) The social security taxes and contributions paid for the tax period preceding the tax period of the year 2007 may be deducted from the business income of a sole proprietor irrespective of the provisions of clause 12 of § 34. A contribution to a mandatory funded pension paid on the business income of a sole proprietor on the basis of subsection 2 of § 11 of the Funded Pensions Act is not deducted from the business income.
[RT I 2006, 28, 208 – entry into force 01.01.2007]

(31) [Repealed – RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(32) Subsection 2^{1} of § 50 and subsection 4^{7} of § 53 apply to the payments specified in these subsections which have been received as of 1 January 2009.
[RT I 2008, 51, 286 – entry into force 01.01.2009]

(33) Subsection 1^{1} of § 50 or subsection 4^{1} of § 53 and subsection 5 of § 54 of the Income Tax Act in force until 1 January 2009 apply to income derived by a resident company or by a non-resident through a permanent establishment registered in Estonia before the aforementioned date.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(34) If a resident company has carried out a bonus issue before 2000:
1) tax is charged on the part of the sum of payments specified in subsection 2 of § 50 which exceeds the sum of the monetary and non-monetary contributions made to the equity of the company and of the profit used for the bonus issue before 2000;
2) tax is charged, in the event provided in subsection 2^{2} of § 50, on the part of the equity of the company which exceeds the sum of the monetary and non-monetary contributions made to the equity and of the profit used for the bonus issue before 2000.
[RT I 2008, 51, 286 – entry into force 01.01.2009]

(35) The provisions of this Act concerning a sole proprietor entered in the commercial register also apply to a sole proprietor registered in the regional structural unit of the Tax and Customs Board during the period of re-registration as of 1 January 2009 until the sole proprietor is deleted from the register of taxable persons.
[RT I 2008, 60, 331 – entry into force 01.01.2009]

(36) Subsections 2 and 3 of § 57[1]which were in force until 31 December 2009 apply upon submission of a declaration concerning student loan interest and trade union joining and membership fees paid in 2009.
[RT I 2009, 54, 362 – entry into force 01.01.2010]

(37) Income tax is not charged on interest specified in clause 1 of subsection 3 of § 17 which has been paid until 31 December 2013 on a deposit with a credit institution which is a resident of a Contracting State or through or on the account of a credit institution's permanent establishment located in a Contracting State if the interest has been derived from an amount deposited before 1 January 2011 which has not been declared as a contribution to an investment account.
[RT I 2010, 34, 181 – entry into force 01.01.2011]

(38) The difference between the contributions and payments made on the basis of a unit-linked life insurance contract specified in clause 5 of subsection 2 of § 17[1]as at 31 December 2010 or the value of the accumulation reserve accumulated by this date may be declared as a contribution to an investment account for 2011. Such financial assets are treated as financial assets acquired for the money held in the investment account.
[RT I 2010, 34, 181 – entry into force 01.01.2011]

(39) In order to postpone the income tax liability arising in the event of gains or income derived from financial assets which have been acquired before 1 January 2011, the acquisition cost of securities or the deposited amount is declared as a contribution to an investment account for 2011. Such financial assets are treated as financial assets acquired for the money held in the investment account.
[RT I 2010, 34, 181 – entry into force 01.01.2011]

(40) A loss incurred from the transfer of securities and carried forward from previous tax periods may be declared as a contribution to an investment account for 2011. The amount declared as a contribution is not deducted from the gains derived from the transfer of securities.
[RT I 2010, 34, 181 – entry into force 01.01.2011]

(41) A legal person entered in the register of religious associations as at 31 December 2010 is entered in the list of non-profit associations, foundations and religious associations benefiting from income tax incentives as of 1 January 2011 without submitting an application. The aforementioned person submits the declaration provided in subsection 3 of § 57[1]for the first time by 1 July 2012.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(42) Income tax is charged on the cost of assets to be moved out of a permanent establishment in the part which is equal to the untaxed profit attributed to the permanent establishment which has been moved out before 1 January 2011 on the account of the assets introduced for the permanent establishment.
[RT I, 18.11.2010, 1 – entry into force 01.01.2011]

(43) [Repealed – RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(44) A resident legal person and the non-resident specified in § 53 are required to declare in the tax return specified in subsection 2 of § 54, which is to be submitted by 10 February 2015, all the circumstances affecting the amount of tax liability provided in §§ 50 and 53 as at 31 December 2014. An acquiring company or a company founded as a result of the merger may not declare as a contribution made to the equity of the company any contributions made by a company participating in the merger to the equity of the company. A recipient company participating in a division may declare as a contribution to the equity received upon the division only the part of the contributions to the equity transferred to the recipient company by the company being divided.
[RT I, 11.07.2014, 5 – entry into force 01.01.2015]

(44[1]) Until 30 June 2016, the training expenses specified in subsection 2 of § 26 of this Act are also deemed to include the certified expenses paid for participation in continuing education at a state or municipal educational institution, a university in public law or a private school holding an activity licence for the provision of instruction on the basis of a relevant study programme if the learner participated in the continuing education of the person providing the aforementioned continuing education the purpose of the study programme of which is to achieve a professional, occupational or vocational competence included in the study programme of formal education or described in the occupational qualification standard, or language learning.
[RT I, 30.06.2015, 1 – entry into force 01.01.2016]

(45) The condition of partial or no work ability provided in subsection 5[4]of § 48 of this Act is deemed met in the event of a person who has been established to have a loss of capacity for work of 40% and more on the basis of the State Pension Insurance Act. The condition of no work ability provided in clause 1 of subsection 3 of § 20[1], clause 1 of subsection 4 of § 21 and subsections 10 and 11 of § 61 of this Act is deemed met in the event of a person who has been established to have total incapacity for work on the basis of the State Pension Insurance Act or permanent incapacity for work with a 100 per cent loss of capacity for work on the basis of the Military Service Act.
[RT I, 07.03.2023, 7 – entry into force 01.04.2023]

(46) The working time rate specified in subsection 5 of § 40 is indicated for the first time in the tax return submitted for December 2015.
[RT I, 30.06.2015, 2 – entry into force 01.01.2016]

(47) Clause 1^{5} of subsection 3 of § 13 applies retroactively as of 1 January 2015.
[RT I, 17.12.2015, 2 – entry into force 01.01.2016]

(48) Subsection 1^{3} of § 50 applies to payments where the dividend or payment from the equity constituting the basis thereof has been received as of 1 November 2016.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

(49) [Repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2024]

(50) Upon submission of an income tax return for 2016, subsection 2 of § 44 and subsections 1–6 of § 46 in force until 31 December 2016 apply.
[RT I, 24.12.2016, 1 – entry into force 01.01.2017]

(51) [Repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2024]

(52) The wordings of clause 2^{3} of subsection 3 of § 13, clauses 3^{1} and 17 of subsection 3 of § 19, subsections 5^{1}, 5^{3}, 5^{4} and 5^{6} of § 48, and subsection 45 of § 61 that entered into force on 1 August 2017 apply retroactively as of 1 July 2017.
[RT I, 07.07.2017, 3 – entry into force 01.08.2017]

(53) [Repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2024]

(54) The obligation of proof provided in § 50^{2} and the obligation of declaration of loans provided in § 56^{5} apply to a loan granted as of 1 July 2017 as well as to such loan in the event of which the loan amount has been increased, the loan repayment term has been extended or other significant conditions have been amended as of 1 July 2017.
[RT I, 07.07.2017, 3 – entry into force 01.01.2018]

(55) A resident company is required to declare the loans specified in subsection 54 in the tax return specified in § 56^{5}, which is to be submitted by 20 April 2018.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

(56) [Repealed – RT I, 30.06.2023, 107 – entry into force 01.01.2024]

(57) If a person receiving state pension did not receive income subject to social tax in 2017, the application specified in subsection 1 of § 42 is deemed submitted to the Social Insurance Board on 1 January 2018 to the extent of one-twelfth of the amount provided in subsection 1 of § 23 unless the person has expressed their wish not to submit an application to the Social Insurance Board.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

(58) The amount by which expenses exceed business income of 2018 may be deducted from business income during up to eight subsequent tax periods on the basis of § 35.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

(59) The amount by which expenses exceed business income of 2019 may be deducted from business income during up to nine subsequent tax periods on the basis of § 35.
[RT I, 28.12.2017, 74 – entry into force 01.01.2018]

(60) The non-resident specified in § 53 is required to declare to the Tax and Customs Board in the tax return specified in subsection 2 of § 54 to be submitted by 10 February 2019 the assets introduced to Estonia for a permanent establishment and not returned as at 31 December 2018.
[RT I, 28.12.2018, 44 – entry into force 01.01.2019]

(61) Upon transfer from the tax calculation provided in §§ 49–52 to the tax calculation provided in § 521 or from the tax calculation provided in § 52^{1} to the tax calculation provided in §§ 49–52, a resident company is required to declare all the circumstances affecting the amount of tax liability provided in §§ 49–52^{1}.
[RT I, 04.03.2019, 1 – entry into force 01.07.2020, date of entry into force changed [RT I, 28.02.2020, 2]]

(62) Upon declaration of income received by a non-resident, a fund manager of a common investment fund, and a public limited fund in 2019, subsections 3^{1}–5^{1} of § 44 of this Act in force until 31 December 2019 apply.
[RT I, 23.12.2019, 2 – entry into force 01.01.2020]

(63) Income tax is not charged on a gift or donation made for charitable purposes by a legal person from 12 March to 1 July 2020 to an Estonian state or municipal authority or a social welfare institution or to an owner of a hospital located in Estonia.
[RT I, 21.04.2020, 1 – entry into force 22.04.2020]

(64) The provisions of clause 6 of § 41 concerning Natura 2000 support for private forest land apply retroactively as of 1 January 2020.
[RT I, 28.12.2020, 1 – entry into force 02.01.2021, applied as of 01.01.2021]

(65) In the event of a policyholder who has entered into an insurance contract for a supplementary funded pension and in the event of a person who acquired units of a voluntary pension fund for the first time before 1 January 2021, the age specified in subsections 2, 3 and 4 of § 21 is 55 years, taking into account § $72^{7}$of the Funded Pensions Act.
[RT I, 27.10.2020, 1 – entry into force 01.01.2021]

(66) A resident legal person does not pay income tax on the donations and gifts made in order to preserve the territorial integrity and sovereignty of Ukraine and to provide and organise targeted humanitarian aid if the donations and gifts are made from 24 February 2022 to 31 December 2025 to the following legal persons entered in the list specified in subsection 1 of § 11:
1) Estonian Refugee Council;
2) NGO Mondo;
3) Ukrainian Cultural Centre;
4) National Defence Promotion Foundation;
5) Estonian Red Cross;
6) Rescue Association;
7) Rotary Club Tallinn Vanalinn;
[RT I, 17.04.2024, 2 – entry into force 27.04.2024, applied retroactively as of 1 January 2024.]
8) non-profit association Freedom Convoy.
[RT I, 20.12.2024, 2 – entry into force 01.01.2025]

(66^{1}) The minister in charge of the policy sector analyses, no later than in 2029, the impact resulting from the amendment to subsection 1 of § 5 that entered into force on 1 January 2024, 2025, 2026 and 2027 as a whole and submits the results of *ex post*evaluation and, as appropriate, a proposal to the Government of the Republic for amending the regulation.
[RT I, 14.08.2024, 1 – entry into force 01.01.2025]

(66^{2}) If payments were made before 1 January 2024 on the basis of a unit-linked life insurance contract which had been entered into before 1 August 2010, the part of the insurance premiums paid until 31 December 2023 and exceeding the payments made until the same date will also be deducted from the amount specified in subsection 3 of § 20 in addition to the insurance premiums paid as of 1 January 2024.
[RT I, 17.04.2024, 2 – entry into force 27.04.2024]

(66^{3}) Subsection $2^{1}$of § 26 and subsection 66 of § 61 of the wording of this Act that was passed on 10 April 2024 apply retroactively as of 1 January 2024.
[RT I, 17.04.2024, 2 – entry into force 27.04.2024]

(67) Upon submission of a tax return of a natural person for 2023, the Income Tax Act in force until 31 December 2023 applies.
[RT I, 30.06.2023, 107 – entry into force 01.01.2024]

(67^{1}) An account opened with an investment firm before 1 January 2024 may be declared as an investment account in the income tax return of a natural person submitted for 2024. In order to postpone the income tax liability arising in the event of gains or income derived from financial assets which have been acquired through such account before the aforementioned date, the acquisition cost of the financial assets is declared as a contribution to the investment account for 2024. Such financial assets are treated as financial assets acquired for the money held in the investment account.
[RT I, 03.12.2024, 1 – entry into force 01.01.2025]

(67^{2}) The payer issues a certificate regarding the payment specified in § 50^{1}, which was in force until 31 December 2024, in accordance with the rules provided in subsection 9 of § 50, which was in force until the aforementioned date.
[RT I, 03.12.2024, 1 – entry into force 01.01.2025]

(68) A resident company withholds income tax at the rate of 7% on the dividend exempt from income tax on the basis of subsection $1^{1}$of § 50 of this Act or on another profit distribution paid to a natural person if the profit constituting the basis for the dividend or another profit distribution was subject to taxation on the basis of § 50^{1}in force until 31 December 2024.
[RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(69) A resident credit institution and an Estonian branch of a non-resident credit institution may also deduct the advance payments made in previous calendar years on the basis of § 47^{1}in force until 31 December 2024 from the income tax payable on the basis of subsection 1 or 2 of § 50 or subsection 4 of § 53 of this Act.
[RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(70) A resident credit institution and an Estonian branch of a non-resident credit institution make the advance payment provided in § 47[1] of this Act on the profit earned in the fourth quarter of 2024 at the rate of 14%. The advance payment made on the aforementioned profit is deducted from the income tax payable on the distributed profit pursuant to subsection 4[1] of § 54 in force until 31 December 2024.
[RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(71) The Ministry of Finance analyses, no later than in 2027, the impacts resulting from the repeal of §§ 23[1], 23[4] and 25 of this Act in force until 1 January 2024 and, in 2028, the impacts resulting from the amendment of §§ 4 and 23 and from the repeal of § 50[1] and submits, as appropriate, a proposal to the Government of the Republic for amending the regulation.
[RT I, 30.06.2023, 107 – entry into force 01.01.2025]

(72) The decrease in the accrued revenue base for a municipality resulting from the amendment of subsection 1 of § 5 is compensated until 2035 to the extent provided in the State Budget Act of the respective year.
[RT I, 14.08.2024, 1 – entry into force 01.01.2025]

§ 62. Entry into force of Act

This Act enters into force on 1 January 2000.

Chapter 13
AMENDMENTS TO LEGISLATION CURRENTLY IN FORCE

§ 63.–§ 67. [Omitted from this text.]

[1] Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (OJ L 157, 26.6.2003, p. 38–48), as amended by Council Directive 2006/98/EC (OJ L 363, 20.12.2006, p. 129–136); Council Directive 2003/49/EC on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States (OJ L 157, 26.6.2003, p. 49–54), as amended by Council Directive 2006/98/EC (OJ L 363, 20.12.2006, p. 129–136); Council Directive 2009/133/EC on the common system of taxation applicable to mergers, divisions, partial divisions, transfers of assets and exchanges of shares concerning companies of different Member States and to the transfer of the registered office of an SE or SCE between Member States (OJ L 310, 25.11.2009, p. 34–46); Council Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (OJ L 345, 29.12.2011, p. 8–16), as amended by Directive 2014/86/EU (OJ L 219, 25.7.2014, p. 40–41) and Directive 2015/121/EU (OJ L 21, 28.1.2015, p. 1–3); Council Directive (EU) 2016/1164 laying down rules against tax avoidance practices that directly affect the functioning of the internal market (OJ L 193, 19.7.2016, p. 1–14); Council Directive (EU) 2017/952, amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries (OJ L 144, 7.6.2017, p. 1–11); Council conclusions on the revised EU list of non-cooperative jurisdictions for tax purposes (OJ C 66, 26.2.2021, p. 40–45 et seq.); The EU list of non-cooperative jurisdictions for tax purposes — Report by the Code of Conduct Group (business taxation) suggesting amendments to the Annexes to the Council conclusions of 18 February 2020 (OJ C 331, 7.10.2020, p. 3–5 et seq.); Council Directive (EU) 2022/2523 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union (OJ L 328, 22.12.2022, p. 1–58). [RT I, 02.05.2024, 1 – entry into force 12.05.2024]