



Tax alert

Estonia, March 2020 **COVID-19 EXTRA**

AS PricewaterhouseCoopers in Estonia helps clients in finding tax efficient business solutions and managing tax risks.

We work together with our colleagues in other PricewaterhouseCoopers' offices world-wide and use our access to international know-how and long-term experience to quickly and efficiently solve tax issues that arise both locally and in foreign jurisdictions. For more information, please see our contact details below.



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Legal acts

Information alert regarding supporting measures for tax- and payroll during an emergency situation

Temporary subsidy program by the Estonian Unemployment Insurance Fund

On 20th March 2020, Estonian Government approved the regulation which sets principles under what the Estonian Unemployment Insurance Fund can provide subsidies. The subsidy program is amounting to EUR 250 Million.

The subsidy is payable to an employee, who has an active employment contract and the payment is made directly to the bank account of the employee.

As of April, employers are able to submit applications via e-unemployment insurance fund system. The form of the application and technical solutions are under development.

Temporary subsidies will be paid to those employees whose employers are significantly impacted by the current extraordinary circumstances. The subsidy will grant an income for the employees and help the employers to surpass temporary difficulties without having to lay off their staff or closing the business activities.

Principles of paying the subsidy

The subsidy is paid, when an employer is in a situation where they comply with at least two of the following terms:

- The employer must have suffered at least a 30% decline in turnover or revenue for the month they wish to be subsidized for, as compared to the same month last year (since the comparison is with the same month of the previous year, a company operating for a shorter period cannot meet this criterion).

- The employer is not able to provide at least 30% of their employees with work.
- The employer has cut the wages of at least 30% of employees by at least 30% or down to the minimum wage.

The Tax and Customs Board's data is the first proof used for applying the subsidy, for example, a tax data certificate: <https://www.emta.ee/eng/taxation-data-certificate>

The second criteria covers § 35 or § 37 from the Employment Contracts Act. Third criteria covers § 37 of the Employment Contracts Act.

Subsidy is payable to an employee working under employment contract, whose working time or wage is decreased under § 35 or § 37 from the Employment Contracts Act.

The employer has to comply with the conditions in the same month for what the subsidy is applied for.

To receive the subsidy, employer must submit the application to Estonian Unemployment Insurance Fund in every month and the complying with the 2 criteria's out of 3 may differ from month to month.

The amount of the compensation and other important aspects

The amount of the subsidy will be 70% of the average monthly wage of the employee. The maximum amount of the subsidy is EUR 1000. In addition to that, the employer must pay a wage of at least EUR 150 to the employee.

The employee will receive at least the minimum wage of EUR 584 from the Unemployment Insurance Fund and their employer, collectively. In case the employee has thus far received less than the minimum wage due to working part-time, their income will remain the same as before.

Any employee's wage can be subsidized for up to two months during a three-month-period, that is, for the two selected months from March to May.

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Currently, as of June, there is no possibility to claim for the subsidy.

Who pays the taxes from the compensation?

The Unemployment Insurance Fund will pay social taxes and withhold income tax on the subsidy, the employer will pay the same taxes on its part of the employee's wage.

The possibility to apply for the subsidy

Both private and state organizations are eligible for the subsidies, independent of the size of the organization.

The measure does not apply to freelancers and operating under service agreement, including board members.

See more here: <https://www.tootukassa.ee/eng/content/temporary-subsidy-program>

Tax measures

The Tax and Customs Board (ETCB) has an information page on their website about the emergency situation: <https://www.emta.ee/eng/etcbs-information-emergency-situation>

In order to relieve the financial situation of businesses, the calculation of interests on tax arrears has been suspended for the period of emergency with retroactive effect from 1 March to 1 May. Which in essence is interest free loan for the companies for the aforementioned period.

All tax returns must be submitted correctly and in a timely manner.

From 1 May interest rate will be reduced from the current 0.06% to 0.03% for an indefinite period. Also, interest rates are reduced on tax arrears paid in instalments by up to 100% in the future. At present, the maximum possible interest reduction is 50%.

The state will pay advance social tax to sole proprietors in the first quarter to help them cope with the economic difficulties of the crisis. The state will transfer the amount of the first quarter's advance social tax into sole proprietors' pre-payment accounts held at the ETCB. If the sole proprietor has already paid the advance social tax, he or she can use the amount to cover any tax liability, either immediately or in the future, or may ask for the transference of this amount into his or her bank account.

The Tax and Customs Board has confirmed that they are as flexible as possible in debt proceedings and recommend that companies in difficulty start applying for the payment of tax arrears in instalments through our e-service environment or notify the tax authority of their problems in other ways.

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