

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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Tax alert

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Reporting over 1,000 EUR invoices – transitional period expires

As from 1 November 2014, the VAT liable taxpayers are obliged to report in VAT return information on all sales and purchase invoices exceeding 1,000 euros per transaction partner during a calendar month. In order to provide sufficient time to make necessary changes in software, the taxpayers were granted a transitional period until 20 January 2016 during which it is allowed to report the total value of the invoices per transaction partner.

After 20 January 2016 the simplified transitional regime may no longer be applied and each of the sales and purchase invoices exceeding 1,000 euros per transaction partner must be reported separately.

According to the Tax and Customs Board, the state VAT revenues have significantly increased after the 1,000 EUR invoice reporting regime was established.

Changes in Tax Information Exchanging Act

The Parliament has initiated a draft law which will amend Tax Information Exchanging Act and Taxation Act in order to extend the exchange of information on financial accounts with other countries as from 31 December 2015. The amended acts will duly adopt EU Directive 2011/16 (amended

by 2014/107/EU; also known as European FATCA) and the OECD's common standard for automatic exchange of financial account information in tax matters.

According to the directive, the Member States are required to collect and exchange data on financial accounts held by the residents of the other member states. The draft law will appoint the Tax and Customs Board to be the respective competent authority in Estonia.

The common reporting standard contains the due diligence rules and procedures that financial institutions have to follow when collecting and reporting the required information.

Exchange of information concerns the financial accounts held by foreign tax residents, both natural and legal persons including associations without legal status. Financial accounts are all accounts that are used to deposit or earn income (e.g. a deposit or current account in an Estonian bank), but also life insurance agreements. Financial institutions will be liable to identify the tax residency of the clients who hold financial accounts either directly or indirectly (including ultimate beneficial owners – 'UBO's) and report the required information on financial accounts and their holders to the Estonian Tax and Customs Board once a year. The collected information will be forwarded only to the tax authorities of the respective tax residence country.

According to the draft law, the financial institutions must fix the balances and values of the

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financial accounts as well as applicable exchange rates as at 31 December 2015. The first reporting to the Tax and Customs Board will take place in June 2017. The Estonian tax authorities will begin to exchange information on financial accounts with the competent authorities in other Member States and contracting countries to OECD convention in September 2017.

For more information on regulations on automatic exchange of financial account information, please see our Newsletter from February 2015.

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