

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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Legal acts

Changes in tax parameters

Below table provides a comparative overview of the changes in individual tax deduction rates and social tax base thresholds enforced as from 1 January 2016.

Income tax	2015 (EUR)	2016 (EUR)
Personal tax exempt allowance per month for tax residents	154	170
Additional tax exempt allowance per month applicable on pensions	220	225
Tax exempt rate of a birth allowance paid by an employer (single payment)	770	850
Combined annual deduction rate for housing loan interests, education expenses and charitable donations per individual	1920 but no more than 50% of income	1200 but no more than 50% of income
Social security contributions	2015	2016
Full-time minimum wage rate per month	390	430
Minimum social tax base rate	355	390

Minimum monthly employer social tax liability as per minimum base	117,15	128,70
Self-employed individual's minimum quarterly social tax liability as per minimum base	351,45	386,10
Self-employed individual's minimum annual social tax liability as per minimum base	1405,80	1544,40
Per diem	2015	2016
Tax exempt per diem rate applicable on business trips abroad	up to 32	up to 50 EUR for the first 15 days but for no more than 15 days per month; up to 32 EUR per each day exceeding 15 days per trip or month;

Legal acts

Changes in accounting and auditing regulations

On 10 December 2015, the Parliament adopted a series of amendments to Accounting Act and several other acts, mainly simplifying accounting requirements for micro- and small-sized companies.

As from 2016, the micro-sized companies must prepare and submit an abbreviated balance sheet with maximum 3 annexes and a profit and loss statement. Micro-entities are no longer required to submit a cash flow report and a statement on changes in equity.

A company is categorized as a micro-entity if it is established as a private limited liability company and all below criteria are met as at the balance sheet day:

- balance sheet total does not exceed EUR 175 000;
- liabilities do not exceed equity;
- company has only one shareholder who is also a member of the board;
- net turnover does not exceed EUR 50 000.

The small-sized companies must prepare a detailed balance sheet with maximum 9 annexes, a profit and loss statement and a management report. Preparing a cash flow report and a statement on changes in equity are optional for the small-sized companies as well.

A company is considered small-sized if at least two of the following criteria are fulfilled as at the balance sheet day:

- balance sheet total does not exceed EUR 4 000 000;
- net turnover does not exceed EUR 8 000 000;
- average number of employees during the financial year does not exceed 50.

Based on the recent media publications, approximately 35 000 companies, which is around 29% of all companies in Estonia, may fall into micro-entity category. Approximately 84 000 companies (i.e. around 70% of total) would qualify as small-sized companies.

The changes to Auditors Activities Act enforced new thresholds for the statutory financial audit and review (applicable to annual accounts of financial years starting 1 January 2016 and later).

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