

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.

Contacts:

Villi Tõntson

E-mail: villi.tontson@ee.pwc.com

Hannes Lentsius

E-mail: hannes.lentsius@ee.pwc.com

AS PricewaterhouseCoopers

Tax Services

Pärnu mnt 15, 10141 Tallinn, Estonia

Tel: +372 614 1800

E-mail: tallinn@ee.pwc.com

www.pwc.ee

Tax alert

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Legal acts

New regulations on exchange of tax information

EU Directive on administrative cooperation

The European Union Council adopted on 9.12.2014 a new Directive 2014/107/EU amending the Directive 2011/16/EU regarding mandatory automatic exchange of information in the field of taxation (so called 'Directive on administrative cooperation').

Under the automatic information exchange system, the Member States collect data on income earned in their territory by non-resident individuals and automatically transmit the collected data to the authorities where the individuals reside.

The revised directive expands the scope of the automatic exchange of tax information to include interest, dividends, and other income as well as account balances and sales proceeds from financial assets (also called 'European FATCA'; respective press release of the Council:
<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0107>)

The Member States will start exchanging information automatically under the revised directive for the first time by the end of September 2017 (simultaneously with the automatic data exchange under the OECD convention; see further below).

The deadline for Member States to adopt local legislation consistent with the revised Directive is 31 December 2015.

It should be noted that in respect of the following five categories of income:

- employment income;
- directors' fees;
- life insurance products not covered by other Directives;
- pensions;
- ownership of and income from immovable property,

the EU Member States start the automatic exchange of information, if available, regarding the taxable periods from 1.01.2014 onwards (i.e. the first intended automatic exchange should take place in 2015).

U.S. FATCA

On 11.04.2014, Estonia and the USA signed an intergovernmental agreement¹ on implementation of the U.S. Foreign Account Tax Compliance Act (FATCA) by Estonian financial institutions.

U.S. FATCA was enacted in 2010 to target non-compliance by U.S. taxpayers (U.S. citizens and green card holders residing in U.S. or abroad) using foreign financial accounts. Under the FATCA the foreign (non-U.S., including Estonian) financial institutions would be subject to punitive 30% withholding tax on U.S. investment flows, unless they comply and report certain information on financial accounts held by U.S. taxpayers.

Read more on U.S. FATCA:

<http://www.pwc.com/us/en/financial-services/publications/fatca-publications/>.

Legal acts

Estonia joined the Convention on Mutual Administrative Assistance in Tax Matters

As of 1.11.2014, Estonia is an official party to the Convention on Mutual Administrative Assistance in Tax Matters. Originally developed by the OECD and the European Council in 1988 and significantly amended by 2010 Protocol upon G20 initiation, the convention is aimed to internationally combat tax avoidance and evasion.

Among other co-operational measures, the parties to the convention have agreed to automatically exchange information on financial accounts held by individuals and entities (including trusts and foundations). Financial account information subject to routine exchange includes balances, interest, dividends and sales proceeds from financial assets. Estonia and most of the other parties to the convention start the automatic annual exchange of information as from 1.01.2016 (i.e. actual exchange firstly intended in 2017) in accordance with the single global standard published by OECD. The same standard is also integrated into EU Directive on administrative cooperation.

For more information on OECD convention and common reporting standards please visit the website of OECD:
<http://www.oecd.org/ctp/exchange-of-tax-information/>

Tax Information Exchange Act

In order to comply with the recent EU Directives as well as international agreements on enhanced exchange of information in the field of direct taxes, Estonian national law required significant amendments. Entirely new legal act - Tax Information Exchange Act – was swiftly passed and enforced as of 1.01.2015 to complement the international administrative cooperation framework. While subject to further amendments, this law authorizes the Tax and Customs Board to automatically exchange information with the competent authorities of the other Member States and contracting states. Information concerning indirect taxation is exchanged under the provisions of Taxation Act.

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¹ Agreement between the Government of the Republic of Estonia and the Government of the United States of America to Improve International Tax Compliance and to Implement FATCA; ratified by the Parliament on 12.06.2014, enforced on 30.06.2014. Full text: <https://www.riigiteataja.ee/aktilisa/2290/6201/4002/Agreement.pdf#>