

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

Several tax changes ahead

The Estonian Government has submitted for Parliament readings a law amending law which introduces multiple changes to several tax laws. This issue of our newsletter gives a brief overview of the key changes ahead.

Social tax rate

The social tax rate, which is currently 33%, will be decreased by 1% in two stages. As from 2017, the social tax rate will be 32.5% and as from 2018, 32%.

Personal tax deductions

According to the draft amendments, the amount of personal tax allowance will be increased from 154 euros up to 205 euros per month over the next four years. As from 2016, the increased rate will be 170 euros per month. Additional tax allowance per child (under 18 yrs. old and starting from the second child) will remain the same – 154 euros per month.

Tax exempt pension rate will increase from 220 euros up to 225 euros per month (effective as from 2016). Should a pensioner have no other income, the total tax exempt pension would be 395 euros (170 + 225).

Further cuts will hit deductible expenses such as housing loan interests, charity donations and adult

education fees.

Daily allowance rate

The tax exempt limit of daily allowance will be raised from 32 euros up to 50 euros per day/per first 15 days of a business trip. Should the business trip last more than 15 days, the tax exempt rate per each exceeding day is 32 euros. Tax exempt daily allowance rates are only applied to the business trips outside of Estonia.

Deductions from residential property rental income

As from 2016, the individuals with income from renting out residential property may deduct 20% of the gross rental income in their annual tax return. The 20%-deduction is projected to cover the average expenses related and does not require any additional documented proof. Another important change in this field is that all individuals have to specifically confirm in their annual tax returns whether or not they have received rental income during the tax year.

Legal acts

VAT on accommodation services

Taking effect on 1 January 2017, the reduced VAT rate on accommodation services will be increased from 9% up to 14%. The standard VAT rate in Estonia is 20%.

Excise duties

Excise duty rates will be increased considerably in most product categories.

The rates on petrol and diesel will raise during next three years (2016-2018). The excise duty rate on petrol will increase by 10% each year and the rate on diesel will increase by 14% in 2016 and 10% in 2017 – 2018. Increase in rates also concern light heating oil, heavy fuel oil, diesel fuel for specific purposes and certain solid fuels.

The rates on alcoholic beverages and tobacco products are set to raise over the period of 2016 – 2020.

The deadline for excise duty reporting will be changed from the 15th to the 20th of the calendar month.

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