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Tax alert

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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

A set of tax changes adopted

The Parliament persistently passed the law amending several tax laws which we discussed in our June edition. The final text does not include any of the changes (total of 192) proposed by the opposition. The respective law has been proclaimed by the President.

Annual accounts to be sent to the tax authorities?

The Ministry of Justice has published an intention to draft a law amending the procedure of filing the annual financial report. According to the proposed amendments, all annual financial reports should be sent to the Tax and Customs Board, not to the Business Register as required by effective legislation. The tax authorities would also take over surveillance functions, such as monitoring the timely submissions of the reports. The current situation has raised concerns since only 60% of the reports are submitted in time, 20% are filed late and 20% are outstanding.

Re-launch of CCCTB

On 17 June 2015, the European Commission adopted an Action Plan[1] for fair and more efficient corporate taxation in the EU.

1 Communication from the Commission to the European Parliament and the Council: A Fair and Efficient Corporate Tax system in the European Union: 5 Key Areas for Action, http://ec.europa.eu/taxation_customs/taxation/company_tax/fairer_corporate_taxation/index_en.htm

The Action Plan sets to reform the corporate tax framework in the EU by introducing five key areas for action, including re-launching the common consolidated corporate tax base (CCCTB) as the first step of the plan.

The Commission intends to present revised proposal to introduce CCCTB as early as possible in 2016. Compared to the original proposal from 2011, there will be two substantial changes in the re-launched CCCTB. Firstly, the Commission will propose a mandatory CCCTB as opposed to original optional system. Secondly, the original proposal will be divided into multiple stages to make it easier for Member States to agree and progress throughout the implementation.

In principle, CCCTB stands for a single set of rules for companies to calculate their taxable profits in all Member States of the EU. For multinational companies, this measure would enable filing a single tax return in the EU through one tax authority rather than having to file a tax return in each country of business operations. The consolidation element in the CCCTB would allow companies to offset losses occurred in one Member State against profits in another. The Commission sees CCCTB also as an important instrument to combat tax avoidance and aggressive tax planning.

CCCTB does not cover the tax rates. The Member States would keep their right to determine the level of the corporate tax rates as they do now.

Depending on the further developments, For

Estonia, adopting CCCTB would likely result in fundamental changes in corporate tax system.

Stronger rules on tracing beneficial owners

On 20 May 2015, the European Parliament adopted the fourth Anti-Money Laundering Directive (AMLD) with the implementation period of two years. The adopted text should be published in the Official Journal of the EU in July 2015.

The AMLD contains new measures in order to provide enhanced accessibility to ultimate beneficial owner (UBO) information. The Member States will be required to keep a registry on adequate, accurate and current information on companies' UBOs. The competent authorities and obliged entities (such as banks, notaries, etc.) will have an access to this information upon request.

The definition of UBO remains unchanged. For example, in the case of companies, an UBO is a natural person who has directly or indirectly over 25% of shares or voting rights, or, who otherwise exercises control over the company.