



Tax Agenda Estonia

February 2025

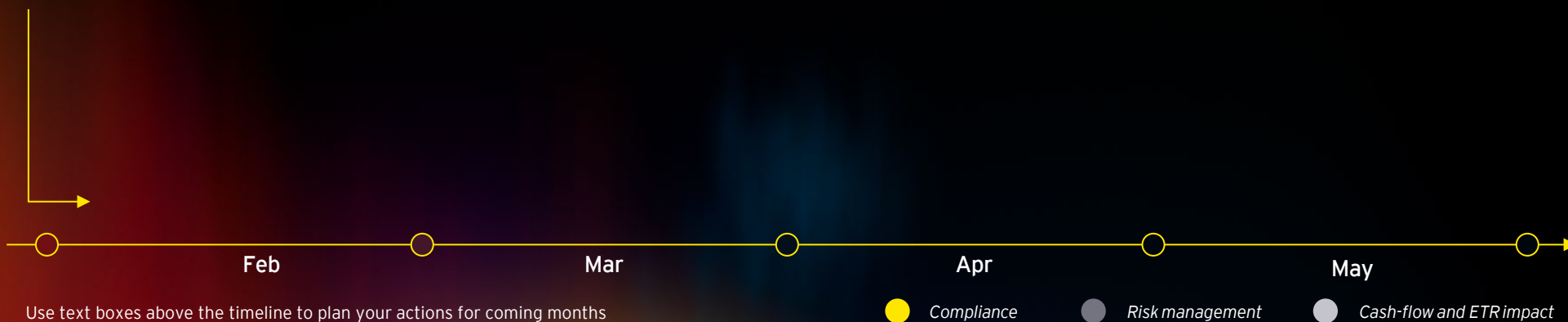


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No.	Fact	Action	
1	<p>Increase of VAT rates from 2025</p> <p>The reduced VAT rate of accommodation services increased from 9% to 13% from 2025. The reduced VAT rate of press publications increased from 5% to 9% from 2025.</p>	Check correctness of VAT accounting and tax compliance systems, but also messages in client communication and correctness of business plans.	● ● ●
2	<p>Increase of income tax rate from 2025</p> <p>Both corporate and personal income tax rates increased from 20% to 22% from 2025. The lower corporate income tax rate of 14%, was abolished from 2025.</p>	Consider the tax rate increase in your business plans and budgets.	● ● ●
3	<p>Introduction of defense tax</p> <p>Estonia will introduce a temporary 2% defense tax, impacting VAT, personal income and corporate profits. Effective 1 July 2025, VAT will increase by 2 percentage points. Starting from 2026, an additional 2% personal tax and a 2% tax on corporate profits will be introduced. It should be noted that corporate profits will be subject to defense tax on accrual basis, deviating from the distribution-based corporate income tax. Corporate defense tax advance payments will be made in 2026 based on the accounting profit of 2025.</p>	Given the impending tax rate increases, it is crucial to assess their impact to business plans and budgets. Additionally, 2025 profits will serve as the tax base for corporate defense tax advance payments, meaning that extraordinary profits in 2025 and beyond will directly impact the Company's cash flows.	● ●
4	<p>New Debt-Push-Down Guidelines</p> <p>On 18 December 2024, the Estonian tax authorities released the Debt-Push-Down Guidelines, offering an official interpretation on various corporate restructuring transactions, including those related to leveraged acquisitions and internal corporate restructurings. The guidelines specify which restructurings may be deemed tax-driven, potentially leading tax scrutiny as taxable profit distributions.</p>	Review historical acquisition in Estonia and analyze whether these may cause tax risks. Consider the new guideline before any new acquisitions and restructurings in Estonia.	●



No.	Fact	Action	
5	<p>Reporting of loans</p> <p>The Estonian tax authorities closely monitor loans both taken and provided by Estonian subsidiaries by reviewing financial statements as well as tax reports specifically designed for this purpose. The majority of related party loans, including interest received, must be reported on a quarterly basis. Additionally, interest rates on related party loans should be supported by transfer pricing documentation.</p>	<p>Evaluate whether the cash outflows from Estonian subsidiary constitute true loan arrangements with sound business rationale and are formalized in written agreements. Additionally, ensure that interest rates adhere to transfer pricing regulations and are substantiated with appropriate documentation.</p>	● ●
6	<p>New car tax</p> <p>Estonia introduced new car tax starting in 2025, which includes both an annual tax and a one-time registration tax.</p>	<p>Evaluate the cost implications for subsidiaries with extensive vehicle fleets in Estonia.</p>	●
7	<p>Taxation of platforms</p> <p>The Estonian tax authorities have issued guidelines according to which individuals operating on various platforms should be treated as employees and payments to them are subject to payroll taxes.</p>	<p>Platform providers should analyze the profile of their participants in order to identify persons who are not economic operators and to whom payouts should be subject to payroll taxes.</p>	●

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