



Tax&Legal Highlights

Estonia

As of 1.05.2018, there are changes in the Value Added Tax Act regarding tax-exempt transactions

- Additional five services were added to the list of tax-exempt social services.
- The transfer of a unit of greenhouse gas emissions and transactions related to such securities are taxed at a rate of 20% VAT.
- Some products that have not been subject to tax fraud have been excluded from the list of domestic reverse-charge metals.
- Claims for invoices submitted for a national reverse charge transaction.

As of 1.09.2018 there will be an obligation to disclose the information of the beneficial owner of the company to the commercial register.

The data of the beneficial owner must be submitted together with the application for entry in the commercial register. In case of changes in the submitted data, new data must be submitted within 30 days. If the data of the beneficial owner has not changed, the accuracy of the data is confirmed upon submission of the annual report.

GUIDELINES GIVEN BY AUTHORITIES and COURT CASES

Tax authority releases guidelines on how to remunerate owner, board member(s) and employee(s) and tax the remuneration.

The guidelines can be found: <https://www.emta.ee/et/ariklient/tulu-kulu-kaive-kasum/muudatused/kuidas-osauhingu-osaniku-juhatuse-liikme-ja-tootaja>

Supreme Court: MTA undertakes to pay interest on offsetting without legal basis

The Supreme Court confirms the obligation to pay interest to the taxpayer for compensating for the damage that a taxpayer may incur if the tax authority's decision required taxpayer to pay a higher tax amount than was stated in the tax law.

Supreme Court: The tax liability cannot be determined on the basis of an indefinable expense statement.

The Supreme Court decided that tax authority cannot assume that the costs incurred are non-business expenses just because the original document is unreadable.

Supreme Court: the importance of the purpose of the acquisition of immovable property

The Supreme Court stated that the lawful use of the apartments in the building could not always lead to the correct outcome in the context of the Value Added Tax Act in distinguishing between residential and non-residential premises. The taxpayer must be given the opportunity to clarify and present evidence to show that the apartment was acquired for use in economic activities.

Circuit Court: depositing funds into group account is comparable to depositing money (at bank) rather than granting a loan

The Circuit Court was in a position that the transactions would correspond not to the ordinary loan, but to the money deposited on the deposit account at commercial bank.

PLANNED LEGISLATION

Planned amendments to Taxation Act

- To clarify the concept of tax debt and expand the composition of public data.
- The regulation will be changed so that in certain cases the tax interest can be considered as a business expense.
- Differentiation between tax audit and individual case audit will be eliminated. There will be one type of tax control.
- Possibility of collecting tax arrears from a person who actually leads a company.
- Submission of additional data in the register of employment
- Changes in the procedure for collecting the tax liability by the agreement.

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- In the area of cross-border exchange of information, the anti-infringement regulation will be strengthened.

Planned amendments to Value Added Tax Act regarding vouchers, electronic services and simplified import procedures

The taxation of voucher's has not been harmonized at the level of the European Union (EU) yet, it would be important to regulate this area in order to avoid double taxation or non-taxation.

The requirement that at least 50% of the taxpayer's turnover has to be taxable with 0% of VAT is abolished. Instead, a requirement for impeccable business reputation is added.

It is planned to simplify the procedure for taxing the turnover of electronic communications services and electronic services. For this purpose, a threshold of EUR 10 000 for services rendered for cross-border services is established, from which the place of supply of services is deemed to be the consumer's country of residence. Until the limit is reached, the company has the right to comply with the rules of its Member State of incorporation.

Planned amendments to Income Tax Act to include several anti-avoidance measures

Main amendments come from the EU Anti-Tax Avoidance Directive and include rephrasing and broadening the scope of general anti-avoidance clause, thin capitalization rules, exit taxation and controlled foreign company rules.

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