

ANNEX - INVENTORY OF TAXES

The publication "Inventory of Taxes Levied in the European Union" is published and updated regularly by the European Commission; most recently the updated version for Finland has been prepared in 1999.

This series of publications serves as the model for the description of all taxes in the accession states Estonia, Poland, Hungary, the Czech Republic and Slovenia.

The sequence of taxes in the inventories follows the ESA-classification in the four main categories:

- (1) Current taxes on income and wealth
- (2) Non-current taxes on income and wealth ('Capital taxes')
- (3) Taxes linked to production and imports
- (4) Actual social contributions

Following the ESA classification, category (3) Taxes linked to production and imports, is further disaggregated into

- (3.1) VAT and general turn-over taxes
- (3.2) Import duties and agricultural levies
- (3.3) Excise duties
- (3.4) Taxes on services
- (3.5) Taxes on ownership of land and buildings
- (3.6) Stamp, registration and similar duties
- (3.7) Other taxes linked to production and imports

(4) Actual social contributions

is split up into

- (4.1) Employers' social contributions
- (4.2) Employees' social contributions
- (4.3) By self-employed and non-employed persons

Thus, e.g. for Estonia, the taxes are listed in the following sequence:

- EST 1.1., EST 1.2. etc lists all current taxes on income and wealth (individual income tax, corporate income tax...) for Estonia, likewise PO 1.1. etc. for Poland.
- EST 2.1., EST 2.2 etc. lists capital taxes (inheritance and gift tax).
- EST 3.1.1., EST 3.1.2. lists VAT and general turnover taxes.
- EST 3.2.1., 3.2.2. etc. lists import duties and agricultural levies.
- EST 3.3.1., EST 3.3.2. etc. lists the various excise duties.
- EST 3.4.1., EST 3.4.2. etc. lists the taxes on services.
- EST 3.5.1., EST 3.5.2. etc. lists taxes on ownership of land and buildings
- EST 3.6.1, etc. lists stamp, registration and similar duties
- EST 3.7.1. etc. lists other taxes linked to production and imports.

Finally:

- EST 4.1.1., EST 4.1.2. etc. lists employers' social contributions

- EST 4.2.1., EST 4.2.2. etc. the social contributions of employees.
- EST 4.3.1., EST 4.3.2. etc. the social contributions of self-employed and non employed persons.

Within the description of each tax the individual features are described in the following standard order (as far as a category is not empty):

- legal base (Law Nr.... of 199..);
- beneficiary (central, regional, or local government, social security funds);
- tax payable by:
- basis of assessment;
- exemptions;
- deductions;
- special features;
- collection;
- rates.

Furthermore, as suggested in a meeting of the contractors with DG XXI in Brussels on Dec 6, 99, the time evolution of the tax system in the countries covered is displayed in the following way:

- The 'Inventory of Taxes' lists all taxes in force as of 1999.
- A list of decided and of planned changes from 2000 onwards.
- A list of taxes that have been abolished before 1999.

The 'Inventory of Taxes' for each of the five countries investigated is given in the following Annex 1 to Annex 5:

- A.1. Estonia,
- A.2. Poland,
- A.3. Hungary,
- A.4. Czech Republic,
- A.5. Slovenia.

Annex 1. Inventory of Taxes - Estonia

Annex 1.1. Taxes in Force as of 1999

EST°1.1.

National Tax on Individual Income

(TULUMAKS)

Legal base:

Income Tax Law (Law Nr. 263, passed on 8 December 1993 (State Gazette I 1993, 79, 1184); entered into force on 1 January 1994).

Latest amendment passed on 17 February 1999 (State Gazette I 1999, 27, 555), entered into force 01.07.1999.

Beneficiary:

Income tax of non-resident natural persons accrues into the state budget.

44% of the income tax of a resident natural person accrues into the state budget and 56% into the budget of the unit of local government of his/her place of residence.

Tax payable by:

Resident and non-resident individuals.

Basis of assessment:

All items of worldwide income including capital gains, unless exempt by law.

Exemptions:

The following items are not subject to individual income tax:

- domestic dividends (a final tax is levied at the distributing company at a gross-up rate of 26/74)
- interest received from a resident bank or financial institution
- capital gains resulting from the sale of the taxpayer's own dwelling used before as his permanent residence or restored to him through restitution of illegally expropriated property and similar items
- premiums paid to qualified annuity pension schemes and expenses to buy shares of resident pension funds, up to 15% of the income in the tax year
- pension payments from qualifying schemes are taxed at a lower rate of 10% by a final withholding
- fringe benefits: all benefits in kind like covering of (some) housing expenses, private use of company cars, loans at preferential rates, insurance premiums for non-compulsory insurance paid by the employer etc. are taxed at the employer, not the employee, at the standard flat rate of 26%
- State and state-approved scholarships
- compensation for business- and service-related travel expenses and business use of a private automobile, as well as payments made as compensation for other travel and accommodation costs permitted under law and per diem prescribed by law, in accordance with the order and rates prescribed by the Government of the Republic of Estonia

- certain insurance proceeds
- inheritances and gifts
- indemnification paid to an employee for work accidents in accordance with rates prescribed the Minister of Finance
- income from the sale of movable property in personal use of a natural person
- compensations prescribed by law or established by the Government of the Republic of Estonia
- amounts paid on the basis of law as tax exempt representation costs
- winnings of lotteries organized on the basis of an operating permit
- compensation paid under the State Compensation to Crime Victims Act

Deductions:

- interest for loans used for acquisition of residential housing for the tax payer's or his parent's or children's dwelling may be deducted from the taxable income.
- education expenses for the tax payer or for his children under 26 paid for studying in a public education institution, private licensed school or recognized foreign educational institution are deductible.
- donations to approved non-profit organizations and to state or municipality owned institutions with cultural, health, sports or educational purposes are deductible up to 5% of the taxpayer's net taxable income.
- personal allowance: a basic allowance of EEK 6000 per tax year (Government has decided to raise it to EEK 9600 per tax year since 01.2000).
- Alimony payments made by a maker of alimony payments during the period of taxation are deducted from his/her income.

Married couples:

In general each person is taxed separately, including children with own income. Resident spouses may file a joint income tax return.

Non-residents:

Non-resident individuals are taxed on their income from Estonian sources, mostly by way of withholding a final tax on gross payments at – in most cases – the rates levied for resident individuals. As a consequence non-residents are not obliged to file individual tax returns.

Collection:

The employer withholds the tax on employed income. Taxes on dividends, royalties and interest paid to non-residents and resident natural persons (except interest paid to natural persons by resident credit institutions and the Compensation Fund) are withheld at the source.

For other income, tax will be paid under the income tax return.

A natural person deriving income from entrepreneurship is obligated to make advance payments of income tax based on the return of the latest tax year.

Rates:

All taxable individual income is subject to a flat rate taxation of 26%.

Losses:

Losses incurred with respect to business income may be carried forward against future profits for 5 years. Losses fitting certain conditions (investments in underdeveloped regions of Estonia) may be carried forward against future profits for 7 years.

EST°1.2.

Corporate Income Tax

(TULUMAKS)

Legal base:

Income Tax Law (Law Nr. 263, passed on 8 December 1993 (State Gazette I 1993, 79, 1184); entered into force on 1 January 1994).

Latest amendment passed on 17 February 1999 (State Gazette I 1999, 27, 555), entered into force 01.07.1999.

Beneficiary:

Central government

Tax payable by:

All corporate entities such as

- resident joint stock companies and limited liability companies
- resident partnerships and cooperatives
- resident associations and foundations
- Estonian branches and permanent establishments of non-resident entities

Basis of assessment:

Annual worldwide income such as business income, interest, royalties and gains from the sale of property or rights.

Domestic dividend income of companies is taxed at the distributing entity; it is tax-exempt, but to be disclosed at the receiving entity.

Exemptions:

Domestic dividends, insurance benefits for damaged property.

Deductions:

All substantiated expenses directly related to the taxable income in the year. This includes interest and royalties, expenses for training of employees and expenses for the employment of disabled personnel.

Other expenses like donations to non-profit organizations and for public interest purposes are deductible up to a limit of 10% of the net taxable income.

Incentives:

In addition to usual depreciation, special immediate deductions for investments in underdeveloped regions of Estonia are in use.

Collection:

Monthly advance payments based on the income tax calculated in the income tax return for the previous period of taxation.

Rates:

The flat rate of income tax is 26%.

Losses:

Losses incurred with respect to business income may be carried forward against future profits for 5 years. Losses fitting certain conditions (investments in underdeveloped regions of Estonia) may be carried forward against future profits for 7 years.

EST° 3.1.

Value Added Tax

(KÄIBEMAKS)

Legal base:

Value Added Tax Act (Law Nr. 203, passed on 25 August 1993 (State Gazette I 1993, 60, 847); entered into force on 1 January 1994).

Latest amendment passed on 27 May 1999 (State Gazette I 1999, 52, 558), entered into force 01.07.1999.

Beneficiary:

Central government

Tax payable by:

A person liable to taxation is a person who makes a taxable supply as a result of entrepreneurship. Institutions of state or local government are treated as persons liable to taxation to the extent of their supply that poses competition with respect to other persons liable to taxation on the market. Persons liable to taxation and all other persons importing goods into Estonia pay value-added tax on import in the order as set forth for paying taxes on import in the customs regulations.

Taxable transactions:

- (1) the sale and exchange of goods or service;
- (2) the lease of goods with the obligation of purchase (capital lease);
- (3) the gratuitous alienation of goods or services;
- (4) the consumption of goods or services by the person liable to tax itself, in certain cases;
- (5) the letting of immovable or movable things for hire or lease (commercial lease) and setting limited real rights with respect to immovable things.

Taxable amount:

The selling price of goods or services to which all charges payable by recipient of the goods or services to the seller of the goods or services have been added. With imported goods it is the customs value of the goods, including all taxes on import.

Exemptions:

- (1) elementary, basic, secondary and higher education, as well as advanced training and continuing education;
- (2) postage stamps and public postal services;
- (3) medical services and medicines;
- (4) funeral services;
- (5) services rendered by credit and financing institutions and insurance services;
- (6) organization of gambling;

- (7) lottery tickets;
- (8) letting of housing and provision of services to the owner of housing under a maintenance contract;
- (9) treating dangerous waste;
- (10) social services as defined in the Law on Social Welfare;
- (11) scientific research activities of universities and research establishments funded from the state budget;
- (12) municipal public sauna services;
- (13) enabling a curative holiday and means for spending free time to the young in licensed youth camps.

Collection:

A registered person liable to taxation has the obligation to pay the value-added tax on its taxable supply, except import, by the scheduled date of submitting the value-added tax return and in the case of import, by the date of paying taxes on import specified in the customs regulations.

Rates:

The tax rate for value-added tax is 18%.

A reduced rate of 5 % is applied for certain books published in Estonia (except textbooks and workbooks where tax rate is 0 %, see below).

The tax rate for value-added tax is zero in the case of the following objects:

- (1) export of goods or services;
- (2) tickets of theaters registered in Estonia;
- (3) tickets of concerts of state concert organizations and collectives of performers;
- (4) subscribed periodicals published and printed in Estonia;
- (5) textbooks and workbooks for basic schools and gymnasiums, approved by the Ministry of Education.

EST° 3.2.1.

Customs Duty Service Fee

(TOLLITEENUSTE EEST VÕETAV TASU)

Legal base:

The Customs Act, Art. 43, Para 4 (passed on 17 December 1997 (State Gazette I 1998, 3, 54); entered into force on 19 January 1998).

The Government Regulation No 252 (passed on 10 November 1998 (State Gazette I 1998, 100, 1624); entered into force on 1 December 1998).

Beneficiary:

Central government

Tax payable by:

Declarant (a person, who presents goods to be declared and makes a customs declaration).

Basis of assessment:

Service rendered by the customs authorities.

Rates:

For customs clearance in agreed (between customs authorities and declarant) place outside the usual working time: 125 EEK/ hour

For customs clearance of airplanes and vessels outside the territory of customs authorities and outside the usual working time: 500 EEK/ hour.

EST° 3.3.1.

Excise Duty on Alcohol

(ALKOHOLIAKTSIIS)

Legal base:

Alcohol Excise Duty Act (Law Nr. 86, passed on 8 November 1995 (State Gazette I 1995, 87, 1539); entered into force on 1 December 1995).

Latest amendment passed on 10 February 1999 (State Gazette I 1999, 24, 359), entered into force 15.04.1999.

Beneficiary:

Central government. 3,5% of the excise tax receipts in the state budget (taking into account the reimbursements) shall be transferred to the Cultural Endowment of Estonia, of which 0,5 per cent is transferred to the Physical Culture and Sports Endowment within the Cultural Endowment of Estonia.

Tax payable by:

Excise tax on imported alcohol shall be payable by the importer in accordance with the order for paying taxes on imports prescribed by Customs Law.

Excise tax on alcohol manufactured in Estonia shall be payable upon the sale, exchange, free transfer or use for self-consumption of alcohol.

Basis of assessment:

Alcohol excise tax is charged on alcohol manufactured in Estonia and imported into Estonia, except on amounts that natural persons are allowed to import tax free in accordance with the Estonian customs regulations.

Exemptions:

- (1) Beer with an alcoholic content by volume up to 2.5% vol (incl.);
- (2) Alcohol manufactured by an Estonian manufacturer and exported by the latter, in case a goods declaration for export certifies exportation. The Tax Board shall pay a refund to the manufacturer of the alcoholic beverage for spirits used to manufacture the alcoholic beverage to be exported in accordance with the conditions and order established by the Minister of Finance;
- (3) Alcohol to be exported that is admitted into a customs warehouse, in case a goods declaration for import certifies the admittance of goods into the customs warehouse. Import for free circulation of alcohol manufactured in Estonia that has been admitted into a customs warehouse for exportation, is disallowed;
- (4) Alcohol conveyed aboard water and air transport vessels engaged in foreign travel, and to stores located in areas accessible after the passport and customs control, in the form of consumption or take-away supplies, in case it is certified by a goods declaration for export;
- (5) Alcohol sold for supplying water or air transport vessels engaged in foreign travel, and to an entrepreneur who has ownership of private customs warehouse and who is engaged in

providing supplies to stores located in areas accessible after the passport and customs control, in case a goods declaration of import certifies the admittance of alcohol into the customs warehouse;

- (6) Alcohol in limited amounts, for displaying on exhibitions, fairs or shows, admitted upon the permission of the Customs Board temporarily to the customs territory subject to re-exportation in the same state.
- (7) Alcohol to be presented as a sample for the state alcohol register – upon presentation to customs control of a declaration or certificate identifying the sample;
- (8) Alcohol imported by representations of foreign diplomatic and consular missions, as well as international organisations and pre-governmental programs of co-operation enjoying a similar status, and natural persons enjoying diplomatic status, for use in the exercise of their official function, in accordance with the order established by the Minister of Finance;
- (9) Confiscated alcohol sold for processing in the established order.

Rates:

Excise tax rates on alcohol

Taxable product	Excise tax rate in EEK
1. Sparkling wines and other wines of fresh grapes with an alcoholic content by volume up to 15%vol.	10,40*
2. Sparkling wines and other wines of fresh grapes with an alcoholic content by volume exceeding 15%vol	15,60*
3. Other fermented drinks (e.g. cider, berry wine etc.) and their blends: with an alcoholic content by volume up to 15% vol with an alcoholic content by volume exceeding 15%vol	4,90* 6,50*
4. Beer	0,55**
5. Other alcohol	1,45**
6. Rectified spirits, to be used for medical, pharmaceutical, veterinary, research and study purposes, and for the production of perfumery	0,20*

* per litre

** per one %vol of absolute alcohol a litre

EST° 3.3.2.

Excise Duty on Tobacco

(TUBAKAAKTSIIS)

Legal base:

Tobacco Excise Duty Act (Law Nr. 45, passed on 29 June 1994 (State Gazette I 1994, 54, 901); entered into force 1 January 1995).

Latest amendment passed on 21 June 1999 (State Gazette I 1999, 56, 589), entered into force 01.01.1999.

Beneficiary:

Excise duty is paid into the state budget. Of the excise duty received in the state budget, 3.5 per cent is transferred to the Cultural Endowment of Estonia, of which 0.5 per cent is transferred to the physical fitness and sport endowment within the Cultural Endowment of Estonia.

Tax payable by:

Excise duty on tobacco products manufactured in Estonia shall be paid by the producer of such products; excise duty on tobacco products conveyed to Estonia shall be paid by the importer of such products.

Excise duty on tobacco products manufactured in Estonia or conveyed to Estonia is paid upon the purchase of revenue stamps. The price of the revenue stamp constitutes the excise duty rate. Enterprises which have a state activity licence for the import and export of tobacco products or for the manufacture of tobacco products have the right to purchase revenue stamps.

Basis of assessment:

Excise duty on tobacco is imposed on tobacco products manufactured in Estonia and conveyed into the customs territory of Estonia, except quantities which natural persons are permitted to import duty free pursuant to customs rules valid in Estonia.

Exemptions:

Excise duty is not imposed on tobacco products if such products:

- (1) exported tobacco products;
- (2) tobacco products that a passenger is allowed to bring into Estonia according tax-free amount stated in custom regulations;
- (3) amount, which is stated by Minister of Finance, of tobacco products, which are used as sample products at exhibitions, fairs or shows in case they are brought to Estonian custom-territory for a certain period stated at custom regulation or will be taken back to producer-company in Estonia.

Rates:

Excise duty rates for tobacco products

Taxable product	Excise duty rate in kroons, as of	
	01.01.1999	01.01.2000

1. Cigarettes*	5,00	5,50
2. Russian cigarettes**	5,00	5,50
3. Cigarillos***	5,00	5,50
4. Cigars****	5,00	5,00
5. Smoking tobacco*****	6,35	7,00
6. Snuff*****	6,35	7,00
7. Chewing tobacco*****	6,35	7,00
8. Other tobacco products*****	6,35	7,00

* applies to 1-20 (incl.) cigarettes in a consumer package

** applies to 1-20 (incl.) Russian cigarettes in a consumer package

*** applies to 1-20 (incl.) cigarillos in a consumer package

**** applies to one cigar

***** applies to 1-50 grams in a consumer package

EST° 3.3.4.

Excise Duty on Fuel

(KÜTUSEAKTSIIS)

Legal base:

Fuel Excise Duty Act (Law Nr. 182, passed on 17 June 1993 (State Gazette I 1993, 38, 563; 1996, 90, 1613); entered into force on 1 July 1993).

Latest amendment passed on 25 January 1999 (State Gazette I 1999, 10, 158), entered into force 15.02.1999.

Beneficiary:

Central government

Tax payable by:

- (1) Excise duty is imposed on imported motor fuel, lubricated motor oil and fuel oil, except for liquefied gas and compressed gas used as motor fuel, upon the declaration of motor fuel, lubricated motor oil or fuel oil for import for free circulation immediately after the entry thereof into the Estonian customs territory or after prior completion of a customs procedure. Excise duty shall be paid by the importer to the bank account of the Customs Board pursuant to the procedure provided for by customs rules (as defined in the Customs Act).
- (2) Upon the partial or total loss or destruction in the Estonian customs territory of cargo transported into the Estonian customs territory under the customs procedure "customs transit" (as defined in the Customs Act), unless this is caused by *force majeure*, excise duty is paid by the person responsible for arranging the carriage of goods under a customs transit procedure.
- (3) Excise duty is imposed on motor fuel, lubricated motor oil and fuel oil manufactured in Estonia, and imported liquefied and compressed gas used as motor fuel, upon the sale or self-consumption thereof.

Basis of assessment:

Fuel excise duty is imposed on motor fuel, lubricated motor oil and fuel oil manufactured in Estonia or imported into Estonia.

Excise duty is not imposed on:

- (1) motor fuel contained in the standard tanks of motor vehicles upon entry into Estonia, including motor fuel contained in the standard service tanks of motorised water craft to be used by the same motor vehicles and the lubricated motor oil contained in the motors of such vehicles;
- (2) motor fuel, lubricated motor oil and fuel oil manufactured in Estonia and exported by the manufacturer if the removal thereof from Estonia is certified by a declaration of goods for export (as defined in the Customs Act);
- (3) amounts of motor fuel, lubricated motor oil and fuel oil less than the maximum amounts permitted to be brought into Estonia by natural persons pursuant to customs rules.

Rates:

Rates of excise duty on motor fuel, lubricated motor oil and fuel oil

Motor fuel, oil	Unit	Rate of excise duty in kroons, as of		
		01.12. 1999	01.12. 2000	01.12. 2001
1. Motor vehicle petrol	1000 litres	3500	4000	4300
2. Diesel fuel	kilograms	3.04	3.69	4.40
3. Aviation kerosene	kilograms	3.87	4.25	4.62
4. Aviation gasoline	kilograms	1.50	1.50	1.50
5. Liquefied gas used as motor fuel	kilograms	1.50	1.50	1.50
6. Compressed gas used as motor fuel	kilograms	1.30	1.40	1.50
7. Lubricated motor oil	kilograms	0.49	0.60	0.71
8. Light fuel oil	kilograms	0.30	0.30	0.36

EST° 3.3.5.

Motor Vehicle Excise Tax

(MOOTORSÕIDUKIAKTSIIS)

Legal base:

Motor Vehicle Excise Duty Act (Law Nr. 498, passed on 8 February 1995 (State Gazette I 1995, 17, 236); entered into force on 1 April 1995).

Latest amendment passed on 09 December 1998 (State Gazette I 1998, 111, 1831), entered into force 03.01.1999.

Beneficiary:

Central government

Tax payable by:

Excise tax on imported motor vehicles is paid by the importer, excise tax on motor vehicles manufactured in Estonia is paid by the manufacturer.

Basis of assessment:

The cylinder capacity and age of the motor vehicle. The excise tax computed on the bases of the two rates, is added together for taxation purposes.

Exemptions:

- (1) On motor vehicles manufactured in Estonia exported by the manufacturer, in case a customs declaration certifies their exportation;
- (2) On motor vehicles imported by representations of foreign diplomatic and consular missions, representations of international organizations and international programs of cooperation, enjoying a similar status with the former, as well as by natural persons enjoying diplomatic status, for use in the exercise of their official functions;
- (3) Motor vehicles constructed or adapted for use by the disabled or for the transportation of the disabled;
- (4) Motor vehicles over 25 years.

Rates:

Excise tax based on the cylinder capacity of motor vehicles

Motor vehicles specially designed for travelling on snow	10,0 EEK/cm ³
Golf cars and similar vehicles	15,0 EEK/cm ³

Other vehicles, with spark-ignition internal combustion engine:

-up to 1600 cm ³	2,0 EEK/cm ³
-above 1600 cm ³ and up to 2500 cm ³	3200EEK
+ 5 EEK per each cm ³ of cylinder capacity, which exceeds 1600 cm ³	

-above 2500 cm ³	7700 EEK
+ 15 EEK per each cm ³ of cylinder capacity, which exceeds 2500 cm ³	
Other vehicles, with compression-ignition internal combustion piston engine (diesel or semi diesel):	
-up to 1500 cm ³	2,0 EEK cm ³
-above 1500 cm ³ and up to 2500 cm ³	3000EEK
+ 5 EEK per each cm ³ of cylinder capacity, which exceeds 1500 cm ³	
-above 2500cm ³	8000EEK
+ 15EEK per each cm ³ of cylinder capacity which exceeds 2500 cm ³	
Motorcycles, with or without side-cars	2,5EEK/cm ³

Excise tax based on the age of the motor vehicle (for each year of age)

Used motor vehicle of 1-5 years of age	200EEK
Used motor vehicle of 6-10 years of age	300EEK
Used motor vehicle over 10 years of age	500EEK

On calculation of excise tax based on the age of the motorcycles applies the coefficient 0,5.

EST° 3.3.6.

Packaging Excise Tax

(PAKENDIAKTSIIS)

Legal base:

Packaging Excise Tax Act (Law Nr. 11, passed on 19 December 1996 (State Gazette I 1997, 5, 31); entered into force on 1 March 1997).

Beneficiary:

Central government

Tax payable by:

Excise tax on imported packaging shall be payable by the importer of packaging.

Excise tax on packaging filled in Estonia shall be payable by the user of packaging.

Bases of assessment:

Packaging excise tax is charged on package filled in Estonia and imported into Estonia.

Exemptions:

- 1) on packaging of which at least 60 % is recovered;
- 2) on packing containing goods that natural persons are allowed to bring into Estonia under the customs regulation prescribing the maximum allowable limits of alcohol or tax free limits of non-alcohol beverages;
- 3) on exported packaging;

Rates:

Tax shall be computed for both rates (per packaging and per liter) and added up.

Alcohol and nonalcoholic beverages packaging	Per packaging (EEK)	Per liter
Glass and ceramics	0,50	2,00
Plastic	1,00	2,00
Metal	0,75	2,00
Other	0,25	1,00

EST°3.4.1.

Gambling Tax

(HASARTMÄNGUMAKS)

Legal base:

Gambling Tax Law (Law Nr. 97, passed on 6 December 1995 (State Gazette I 1995, 95, 1630); entered into force on 1 February 1996).

Latest amendment passed on 17 February 1999 (State Gazette I 1999, 27, 554), entered into force 1 April 1999.

Beneficiary:

- (1) Upon operating games of chance, games of skill, betting and totalizator,
 - 5 % of the gambling tax paid on the gambling premises shall be remitted to the budget of the town or municipality, on whose administrative territory the gambling premises are located;
 - 95% of the gambling tax paid on the gambling premises shall be remitted to the state budget.
- (2) 30 % of the gambling tax receipts into the state budget, shall be transferred to the Cultural Endowment and 7 % to the Estonian Red. The remaining 63 % shall be purpose-oriented for supporting programs and projects directly relating to children, families, the elderly and the disabled.
- (3) The receipts of gambling tax from operating lotteries shall be remitted to the state budget as purpose-oriented funds.

Tax payable by:

- (1) the operator of games of chance, betting and totalizator, who possesses a valid operating license and gaming license for operating the above gambling games;
- (2) the operator of games of skill, who possesses a written permission of the municipal or town government for operating the game of skill;
- (3) operator of lotteries, who possesses a gaming license.

Basis of assessment:

Gambling tax is levied on:

- (1) income gained from operating games of skill, totalizator and betting, which is equal to the amount of stakes made, from which the amount of prizes paid out to the players has been deducted;
- (2) a gambling board and gaming machine used for operating games of chance, which is located on gambling premises allowed by a gaming license;
- (3) income gained from operating lotteries, which is equal to the amount received from the sale of lottery tickets.

Exemptions:

The receipts of gambling tax from a lottery organised for funding a specific program or project, shall be used for the purpose for which the lottery was organised.

Rates:

- (1) Upon operating games of chance the rate of gambling tax per month shall be:
 - 3 000 EEK per gaming machine;
 - 10 000 EEK per gambling board.
- (2) The rate of gambling tax shall be:
 - on income gained from operating games of skill, totalizator and betting, which is equal to the amount of stakes made, from which the amount of prizes paid out to the players has been deducted;
 - 30 % upon operating betting
 - 5 % upon operating totalizator
 - 18 % upon operating games of skill;
 - on income gained from operating lotteries, which is equal to the amount received from the sale of lottery tickets;
 - 16 % upon operating classic lotteries
 - 16 % upon operating instant lotteries
 - 11 % upon operating numeric lotteries.

EST° 3.5.1.

EST° 3.5.3.

Land Tax (incl. Forestry Tax)

(MAAMAKS)

Legal base:

Land Tax Law (Law Nr. 130, passed on 6 May 1993 (State Gazette I 1993, 24, 428); entered into force on 1 July 1993).

Beneficiary:

Local government

Tax payable by:

The owner of land, or users of land whose land use is not formalised pursuant to the procedure prescribed by the Land Reform Act. Upon the encumbrance of land with the right of superficies or a usufruct, land tax shall be paid by the superficiary or usufructuary.

Basis of assessment:

Land tax is imposed on all land, except:

- (1) land where economic activities are prohibited by law or pursuant to the procedure provided by law. Mandatory activities necessary for the preservation of protectable objects provided by protection rules are deemed not to be economic activities;
- (2) land adjacent to buildings or parts thereof of diplomatic missions and consular representations of foreign states;
- (3) land in the use of a foreign state or international organisation on the basis of an agreement entered into between the Government of the Republic and the foreign state or international organisation;
- (4) cemeteries;
- (5) land under places of worship of churches and congregations;
- (6) municipal land under the jurisdiction of a local government, except in the case prescribed by § 10 of this Act;
- (7) land in public use.

Land tax is a tax based on the assessed value of land.

Rates:

The rate of land tax shall be 0.5–2.0 per cent of the assessed value of land annually. The tax rate is established by the local government council and may be amended only as of the start of the budgetary year.

According to a decision of the Government of the Republic, 20, 50 or 75 per cent of the rate of land tax is paid on land where economic activities are restricted by law or pursuant to the procedure provided by law.

Exemptions:

Temporary tax exemptions:

1. Until 31 December 2000, the rate of land tax for areas under cultivation used for the production of agricultural products and for natural grasslands shall be 0.3 to 1.0 per cent of the assessed value of the land annually.
2. Recipients of old-age or disability pensions whose right of use of land was created before 1 July 1993 may be exempted from the obligation to pay land tax until 31 December 2000 to the extent of 0.1 hectares in cities and 1.0 hectare in rural municipalities on the condition that the applicant for the tax exemption does not receive rent on the basis of the right of use of land. One user of land may be exempted from up to 200 kroons of tax per year.

EST°3.5.2.

Natural Resource Tax for the Right to Exploit the State Minerals

(RIIGILE KUULUVATE MAAVARUDE KAEVANDAMISÕIGUSE TASU)

Legal base:

Earth's Crust Act (Law Nr. 441, passed on 9 November 1994 (State Gazette I 1994, 86, 1488); entered into force on 1 January 1995)

Last amendment passed on 16 June 1999 (State Gazette I 1999, 54, 583), entered into force 23 June 1999.

Beneficiary:

Central government and Local government. The extraction tax of the deposits of state importance is paid in extent of 30% into the State budget and in extent of 70% into the local budget. The extraction tax of the deposits of local importance is paid into the local budget.

Tax payable by:

The right to extract the minerals takes effect on the basis of the minerals extraction permit. Tax will be paid by user of reserve (the holder of the extraction permit).

Basis of assessment:

Volume of the extracted reserve

Rates:

Established by the Government: "The establishment of the rates of the extraction tax for the rate to exploit the state minerals". Governmental Regulation from 07.10.1998 No 226 (RT I 1998, 88, 1438). Rates established by above mentioned regulation will be enforced from 01.01.1999, 01.01.2000 and 01.01.2001.

EST° 3.6.1.

State Duty

(RIIGILÕIV)

Legal base:

State Fee Act (Law Nr. 205 , passed on 22 October 1997 (State Gazette I 1997, 80, 1344); entered into force on 29 November 1997).

Latest amendment passed on 10 February 1999, (State Gazette I 1999, 24, 360), entered into force 01.07.1999.

Beneficiary:

State fee accrue to the state budget, except state fees charged for certification of the authenticity of copies and extracts of documents, the authenticity of signatures on documents and certification of authorisations by rural municipality secretaries or city secretaries until 1 January 2000, which accrue to the rural municipality or city budget pursuant to § 60 of the Notaries Act.

Tax payable by:

Individuals and legal entities according to established tax rates.

Basis of assessment:

The performance of legal acts and issue of documents.

Rates:

Specified by law. Fees are either a flat amount or a percentage of the value involved.

EST° 3.7.1.

Local Taxes

(KOHALIKUD MAKSUD)

Legal base:

Law on Local Taxes (Law Nr. 418, passed on 21 September 1994 (State Gazette I 1994, 68, 1169), entered into force on 24 October 1994).

Latest amendment passed on 26 January 1999 (State Gazette I 1999, 16, 269), entered into force 28.02.1999.

Beneficiary:

Local government

Tax payable by:

There are following local taxes: poll tax, local income tax, sales tax, boat tax, commercial and advertisement tax, tax for closing roads and streets, motor vehicle tax, tax for keeping animals, and entertainment tax.

- (1) Poll tax is paid by inhabitants aged 18-65 of the municipality or town.
- (2) Local income tax – enterprises located in the municipality or town, whose income is subject to the Law on Income Tax.
- (3) Sales tax – enterprises registered and natural persons engaged in entrepreneurship active in the administrative territory of the municipality or town.
- (4) Boat tax – owners of boats, yachts and launches whose length does not exceed 12 meters. Commercial and advertisement tax – individuals and legal entities for commercials and advertisements displayed within the administrative area of the local government as well as those on the public transport registered to individuals or legal entities residing and located within the territory of the local government.
- (5) Tax on Closing Roads and Streets – individuals and legal entities in the case of organising demonstrations, processions and other events, as well as construction work requiring the closure of roads, streets, squares, parks or recreation areas.
- (6) Motor Vehicle Tax – individuals and legal entities motor vehicle registered in the national register.
- (7) Tax on Keeping Animals – owners of animals, which is subject to tax within the territory of the municipality or town.
- (8) Entertainment Tax – organisers of recreational activities or owners of recreational establishment within the territory of the municipality or town.

Rates:

Determined by the local Council. Local income tax may not exceed 2 percent of taxable income or 0.4 percent of premiums for insurance companies. Sales tax may not exceed 1 percent paid on the sale price of goods and services as determined under the Law on Value Added Tax.

EST° 3.7.2.

Fines

(TRAHVID)

Legal base:

Legal person bears liability according to the provisions of *Taxation Act* (passed on 16 December 1993 (State Gazette I 1994, 1, 5; 1996, 35,714) entered into force on 6 January 1996; latest amendment passed on 17 February 1999 (State Gazette I 1999, 27, 394); entered into force on 1 April 1999),

individual according to the provisions of *Code of Administrative Offences* (passed on 8 July 1992 (State Gazette I 1992, 29, 396; 1999, 41, 496); entered into force on 1 August 1992; latest amendment passed on 25 February 1999 (State Gazette I 1999, 31, 425); enters into force 1 January 2000) or *Criminal Code* (passed on 7 May 1992 (State Gazette I 1992, 20, 287 and 288; 1999, 38, 485); entered into force on 1 June 1992; latest amendment passed on 16 June 1999 (State Gazette I 1999, 57, 595); entered into force on 17 July 1999).

Beneficiary:

Central Government

Payable by:

The person who violates law

Basis of assessment:

Violation of law

Rates:

The size of the penalty depends on the fact whether the offence is committed by individual or legal person, whether the violation of law is intentional or negligent.

There are flat rates for some offences (for example for failing to submit a tax return as prescribed in a tax Act by the due date) or percentage of the amount of underpayment.

EST°3.7.3.

Pollution Fee

(SAASTETASU)

Legal base:

Pollution Charges Act (Law Nr. 42, passed on 10 February 1999 (State Gazette I 1999, 24, 361); entered into force on 21.03.99).

Beneficiary:

Central government.

Tax payable by:

(1) The pollution charge shall be paid by the owner of an immovable if pollutants or waste are released into the environment from the immovable of the owner according to the wishes of the owner.

(2) If pollutants or waste are released into the environment from land used on the basis of a right of superficies by a superficiesary or from land adjacent to a structure as a movable by the owner of the structure, the obligation to pay the pollution charge shall also apply to such superficiesary or owner.

(3) For the purposes of this Act, release of waste into the environment means the discharge of waste on an immovable, on land used on the basis of a right of superficies or on land adjacent to a structure as immovable.

Basis of assessment:

Amount of pollutants (The determination of the volume of pollutants upon the calculation of the pollution charge shall be based on documented measurements, analyses performed by recognized or accredited laboratories, or calculations made on the basis of the calculation methods established by the Minister of the Environment).

Rates:

Rates are established by the Act on Pollution Charges (§8, §9, §10) from 01.01. 1999, 01.01.2000 and 01.01.2001.

EST°3.7.4.

Revenue from Exploitation of Air Space and Aquatory - Water Extraction Tax

(VEE KASUTUSÕIGUSE TASU)

Legal base:

Water Act (Law Nr. 365, passed on 11 May 1994 (State Gazette I 1994, 40, 655); entered into force on 16 June 1994)

Last amendment passed on 16 June 1999 (State Gazette I 1999, 54, 583), entered into force 23 June 1999.

Beneficiary:

Central government and Local government (50% : 50% of revenue).

Tax payable by:

Water users having the permit

Basis of assessment:

Volume of water

Rates:

Established by the Government: "The establishment of the rates of water user charges" . Governmental Regulation from 07 October 1998 No 227 (RT I 1998, 88, 1439). Rates established by above mentioned regulation will be enforced from 01.01.1999, 01.01.2000 and 01.01.2001.

EST°4.

Social Security Contributions

(SOTSIAALMAKS)

Legal base:

Social Tax Law (Law Nr. 31, passed on 15 April 1998 (State Gazette I 1998, 40, 611); entered into force on 1 April 1999).

Latest amendment passed on 18 February 1999 (State Gazette I 1999, 29, 397), entered into force 01.04.1999.

Beneficiary:

Public funds: Social security fund and Health insurance fund.

Tax payable by:

The employer pays on the payments to employees. Self-employed individuals pay their own social security contributions on net business income up to 15 official minimum monthly salaries (currently this minimum monthly salary is EEK 1250).

Basis of assessment:

All payments made to employees. Fringe benefits furnished by an employer to a natural person in respect of an employment relation, except reimbursements of an employee's travel or similar expenses within restrictive limits.

Rates:

The total rate both for employed and self-employed labour is 33%, of which 20% for social insurance and 13% for health insurance.

Deductibility:

Social security contributions are deductible for purposes of corporate income tax of employers and individual income tax of self-employed individuals.

Annex 1.2. Tax Changes from 2000 onwards

Plans from 2000 onwards:

EST°1.2.

Corporate Income Tax

Several amendments are prepared by the Estonian Government in corporate income tax. The objective of amendments is following: corporate entities will not pay tax on income earned, but they shall pay tax in any case of making distributions, also on transactions that can be treated as concealed distributions of profit – fringe benefits, gifts and charitable contributions and expenses not related to entrepreneurship. The purpose of the draft law is to leave more resources to enterprises to enable them make investments to create new jobs, improve the conditions in socialsphere and develop education.

EST°3.1.

VAT

Several amendments in the Value Added Tax Act are prepared. According to the Government's project, the VAT rate shall be 18 % in the case of municipal public sauna services, enabling a curative holiday and means for spending free time to the young in licensed youth camps (from 01.01.2000) and scientific research activities of universities and research establishments funded from the state budget (from 01.01.2001). The VAT rate shall be 5 % in the case of treating dangerous waste (from 01.01.2000) and medicines and medical requisites (from 01.01.2001). From 01.01.2000 the VAT rate shall be 5 % in the case of all books (except zero-rated textbooks and workbooks) and 0 % in the case of tickets of all theatres and all subscribed periodicals.

EST°3.3.

Excise Duties

EST°3.3.1.

Excise Duty on Alcohol

It is expected to achieve essential uniformity with the Community acquis in taxation system of alcohol by 2001 at the latest.

At the present time the draft Alcohol Excise Tax Act, by which taxation system will mainly be aligned with Council Directive 92/12/EEC (tax warehouse system), is envisaged to submit to the Government for approval on November 1, 1999 and to implement by January 1, 2001 at the latest.

EST°3.3.1.

Excise Duty on Tobacco

The tax rate consisting of an ad valorem and a fixed amount component will be introduced for cigarettes according to a preliminary plan in 2003.

Amendments to excise taxation system under Council Directive 92/12/EEC will be brought in force by 2003 at the latest.

EST°3.3.4.

Excise Duty on Motor Fuel

In accordance with the Fuel Excise Tax Act of Estonia, the rates of excise duty on motor fuel, lubricated motor oil and fuel oil will gradually be harmonised by the year 2002 with the minimum

rates of excise duties on mineral oils of the European Union, established by the Council Directive 92/82/EEC. The only exception is the excise duty levied on aviation gasoline.

It is also planned to widen the object of taxation according to the Council Directive 92/81/EEC. Estonian legislation should cover heavy fuel oil, gas oil, liquid petroleum gas and methane.

EST°3.7.2.

Fines

Fines for tax evasion and fraud will increase in foreseeable future.

EST°3.4.

Social Security Contributions

According to amendment prepared in Social Tax law the minimum tax base of social tax – the minimum monthly salary, will be abolished.

Annex 1.3. Taxes Abolished

EST°3.3.3.

Excise Duty on Fur (*KARUSNAHAAKTSIIS*)

Fur Excise Duty Act (Law Nr. 970 of Supreme Council; passed on 11 November 1991 (State Gazette 1991, 40, 492); entered into force on 1 January 1992).

Abolished by law on 18 October 1995 (State Gazette I 1995, 83, 1443), abolition entered into force on 1 January 1996.