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BEPS Actions implementation by country
Estonia

Last reviewed by Deloitte: July2017

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On 5 October 2015, the G20/OECD published 13 final reports and an explanatory statement outlining consensus actions under the base erosion and profit shifting (BEPS) project. The output under each of the BEPS actions is intended to form a complete and cohesive approach covering domestic law recommendations and international principles under the OECD model tax treaty and transfer pricing guidelines. The G20/OECD output broadly falls into the following categories:

OECD categorisation	Definition
Minimum standard	All G20/OECD members are committed to consistent implementation
Revision of existing standard	
Common approach	Common approaches to facilitate convergence of national practices
Best practice	Guidance drawing on best practices

It is now for governments to digest and introduce the necessary legislation. The table below sets out a summary of the expected local country implementation and timing in Estonia.

Action	OECD categorisation	Notes on local country implementation	Expected timing
VAT on business to customers digital services (Action 1)	Common approach	The EU VAT directive applies and is implemented into domestic law.	1 January 2015
Hybrids (Action 2)	Common approach	The amended EU parent-subsidiary directive applies and is implemented into domestic law. Estonia will deny a tax exemption for dividends if the dividends are deductible at the level of the payer.	1 November 2016
		As an EU member state, Estonia is subject to the two EU anti-tax avoidance directives (ATAD and ATAD 2) and, therefore, is required to implement the directives into its domestic law. The ATAD and ATAD 2 include anti-hybrid rules that cover hybrid mismatches between EU member states, and between EU member states and non-member states, respectively. Member states are required to adopt the domestic legislation necessary to comply with the directives by 31 December 2019 (with an extension until 31 December 2021 for the reverse hybrid provisions).	1 January 2020 (1 January 2022 for reverse hybrid provisions)
		It is not yet known which changes will be made to the existing provisions to ensure compliance with the ATAD and ATAD 2.	
CFCs (Action 3)	Best practice	As an EU member state, Estonia is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes a CFC rule.	1 January 2019
		Under Estonia's current corporate income tax system, whereby profits are taxable on a remittance basis, Estonia applies special rules that are similar to CFC rules. It is not yet known whether there will be any additional actions/changes.	Not yet known

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Last updated: July2017

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Interest deductions (Action 4)	Common approach	As an EU member state, Estonia is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest limitation provision to discourage artificial debt arrangements designed to minimise taxes. It is not yet known how Estonia will implement these provisions in the ATAD.	1 January 2019
Harmful tax practices (Action 5)	Minimum standard	Estonia does not have any preferential regimes, and it is not yet known whether there will be any actions implemented in respect of harmful tax practices in other tax jurisdictions.	Not yet known
Prevent treaty abuse (Action 6)	Minimum standard	Changes to Estonia's model tax treaty will be made in 2017 and an LOB is likely to be added.	2017
Permanent establishment status (Action 7)	Revision of existing standard	Not yet known.	Not yet known
Transfer pricing (Actions 8-10)	Revision of existing standard	Estonia follows the OECD transfer pricing guidelines to the extent they do not conflict with the 2006 regulation issued by the Ministry of Finance with respect to the methods for determining the value of related party transactions. According to information from the ministry, changes are being made to the regulation.	Not yet known
Disclosure of aggressive tax planning (Action 12)	Best practice	Not yet known.	Not yet known
Transfer pricing documentation (Action 13)	Common approach	Estonia already applies the master file and local file principles. The implementation of any further changes is not yet known.	1 January 2007

CbC reporting (Action 13)	Minimum standard	The parliament approved a law that introduces CbC reporting on 15 March 2017. The first reporting year will be 2016 and the report must be submitted by the end of 2017. Estonia is one of the countries that has signed a multilateral competent authority agreement for the automatic exchange of CbC reports.	1 April 2017
Dispute resolution (Action 14)	Minimum standard Complemented by best practice	Not yet known.	Not yet known
Multilateral Instrument (Action 15)	Applicable across all four categories	There is no public information available about the Estonian government's approach regarding the multilateral instrument.	Not yet known

Unilateral BEPS Actions

The government has not made any official announcements about potential future changes, but any changes are likely to be in line with international/OECD frameworks.

Other Tax Developments

The government's plan to introduce corporate income tax on outgoing loans (pledge tax) was rejected by the parliament. Instead, the parliament adopted alternative amendments to the Income Tax Act on 19 June 2017 and the president announced the Law on 29 June 2017. Under the amended law, the tax authorities will have the right to tax loans granted by Estonian companies to their parent or sister companies (group companies, except subsidiaries) where the loan conditions indicate that in substance the loan may be a hidden profit distribution.

The law, which is already in effect, also requires the submission of a (quarterly) report that contains information on loans granted to related parties. The first report will be due on 10 February 2018, with the report providing data on loans issued on or after 1 July 2017 and on loans where the amount has been increased or material loan conditions have changed since 1 July 2017. Where a loan has a

term of more than four years, the burden of proof is on the taxpayer to produce evidence of its ability and intent to repay the loan.
Some further detail is expected from the Ministry of Finance in August 2017.

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