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ESTONIA – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS

The following information is a guide to help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in Estonia.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in Estonia, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you;

- Income Tax
- Value Added Tax (VAT)

We draw your attention to the fact that Airbnb may have an obligation to report income earned by users of the platform. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax return, the tax authorities may ask you questions.

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we do not update this information in real time, so you should confirm that the laws or procedures have not changed recently.

INCOME TAX

Where an individual earns income in Estonia, it is likely that they will be required to pay a percentage of tax on this income to the Estonian Tax and Customs Board. Below is a brief outline of the tax that may arise on income earned from rental of short-term accommodations in Estonia and some information on how this tax can be paid over to the Estonian tax authorities.

Estonia's tax year runs from 1 January to 31 December.

Reporting tax in Estonia.

You should report your taxes through the main form of an annual personal income tax return (i.e. the Form A for 2024), which can be submitted electronically or as a hard copy.

Reporting tax - filing deadline.

If you are an Estonian resident you must file an individual tax return by 30 April, following the year in which the income is earned (i.e. income earned in 2024 should be on one's 2024 income tax return and should be filed by 30 April 2025).

The electronic filing of tax returns becomes available from **15 February**.

Reporting tax - payment deadline.

At least **30 days before** the tax payment is due, if you are an Estonian-resident individual, you will receive an income tax assessment based on the income tax return you filed. Based on this assessment, you must pay the final amount of income tax due by **1 October** of the year following the period of taxation (i.e. 2024 income tax payment should be made by 1 October 2025). If you file your tax return electronically, the tax authority will not send you your income tax assessment, but you will be able to access and review it via the e-services platform of the Estonian tax authority "e-MTA".

Estonia Tax Authority contact details.

You can find contact details for your local tax office by following the link below: [Teeninduskohad | Maksu- ja Tolliamet \(emta.ee\)](https://teeninduskohad.maksu-ja.tolliamet.ee) .

Estonia income tax rates.

Estonia has a proportional (i.e. flat) tax rate of 20%. As from 1 January 2025, the tax rate will increase to 22% (i.e., income earned as from 1 January 2025 will be subject to the increased income tax rate of 22%).

This rate is applicable to income earned from the rental of short-term accommodations derived by a resident taxpayer.

Coming within the charge to income tax in Estonia.

If you are an Estonian resident individual you are allowed to make certain deductions from your annual gross income.

These deductions include the basic personal allowance (annual basic exemption) of €7,848, which only applies in full to the extent that an individual's annual income is not more than €14,400.

For annual income over €14,400, the annual allowance is calculated under the following formula:
 $7,848 - 7,848 / 10,800 \times (\text{amount of annual income} - 14,400)$.

For annual income exceeding €25,200, the basic allowance will be zero.

Note that the basic personal allowance is expected to change so that the fixed annual allowance is €8,400. This change is expected to enter into force from 1 January 2026.

Specific rules applicable to income earned in relation to rental of short-term accommodations in Estonia.

There are no specific rules in relation to income earned from the rental of short-term accommodations. As such, short-term rental income is considered and taxed as any normal rental income received (with the exception that for short-term rentals, no 20% deduction is available from the rental income). The short-term rental income has to be declared in the respective sections of the annual personal income return.

Typical expenses that can be deducted from an individual's income in relation to rental of short-term accommodations.

You are not allowed to deduct related expenses from short-term rental income (unless such rental income is considered to be business income of the individual, who is registered as a sole proprietor (*FIE*)).

Deductions available for tax depreciation (e.g. capital allowances / wear and tear).

No deduction is available for tax depreciation in Estonia.

Estonia income tax obligation for non-resident individuals.

If you are not resident in Estonia, you are liable under Estonian domestic law to self-assess for Estonian tax from Estonian-sourced rental income and submit a tax return to the Estonian tax authorities, unless income tax has been withheld from the respective rental payments.

The deadline for filing a tax return for a non-resident individual is 30 April following the year in which the income arises, i.e. the tax return regarding income earned in 2023 should be filed by 30 April 2024, and the non-resident must pay the income tax due to the tax authorities by 1 October of the year following the period of taxation (i.e. 2023 income tax payment should be made by 1 October 2024).

Please refer to the Estonian tax authority website for further information regarding your taxes:
[Rental income and licence fee | Estonian Tax and Customs Board \(emta.ee\)](https://emta.ee).

If you have any doubts regarding your current tax position, we encourage you to consult a tax advisor.

Estonian income tax obligations for an Estonian resident individual in receipt of foreign rental income.

If you are a resident of Estonia, you are liable for Estonian tax on your worldwide income, irrespective of the origin of the income.

Where certain conditions are met, Estonian resident taxpayers who have incurred foreign tax on foreign- source income can claim credit for this foreign income tax against their Estonian income tax liability. The tax credit is generally limited to the amount of the Estonian income tax levied on the foreign taxable income and is computed separately for each foreign country.

Please refer to the Estonian tax authority website for further information regarding your taxes: <https://www.emta.ee/en/business-client/board-news-and-contact/contacts/customer-support>

If you have any doubts regarding your current tax position, we encourage you to consult a tax advisor.

General property taxes payable.

There is no property tax in Estonia (i.e. tax on the value of buildings) however, land is subject to annual land tax. This is calculated on the assessed value of the land. As from 2025, the rates of the land tax are between 0.1% and 2.0%, depending on municipality and the purpose of the land. The tax is paid by the owners of the land (or in some circumstances, by the users of land). The annual land tax is generally paid in two instalments – by 31 March and by 1 October. Land up to a certain size under a personal home is exempt from the land tax.

Property transfers are also generally subject to state and notary fees. The amounts of state and notary fees are calculated based on the value of the transactions.

Capital taxes in Estonia.

There are no separate capital gain taxes in Estonia. Only personal income tax of 20% (22% as from 1 January 2025) is applicable to the gain received from the disposal of property which was not used as a personal residence prior to the sale. Certain other income tax exemptions may be applicable to the capital gain received from the disposal of property.

Sample Tax Computation

Scenario 1: Laura owns a 2 bedroom house in Tallinn. She occasionally rents out a room from time to time for a few days. We have assumed that Laura is not eligible for any tax deductible personal allowances or made any tax deductible expenses (e.g., educational expenses, gifts and donations and payments to personal pension schemes), which individuals are generally allowed to deduct from their gross annual income. The total gross rent received for 2023 was €3,000.

Scenario 2: The total gross rent received for 2023 was €6,000.

Scenario 3: The total gross rent received for 2023 was €8,000.

	Scenario 1	Scenario 2	Scenario 3
Gross annual rental income	3,000	6,000	8,000
Total annual gross income	3,000	6,000	8,000
* Less basic allowance	3,000	6,000	7,848
<i>Less expenses:</i>			
House insurance	0	0	0
Mortgage interest	0	0	0
Electricity	0	0	0
Total gross taxable income	0	0	152
Income tax 20%	0	0	30.40
Final income tax due	0	0	30.40

If you wish to deduct expenses related to your rental of short-term accommodation, you should either register as a sole proprietor (*Füüsilisest Isikust Ettevõtja*, or *FIE*), or consider operating through a limited liability company. Note that in case you register as a FIE, social tax at 33% will also become payable from your business income.

VALUE ADDED TAX

Value added taxes can be complicated and you should take time to understand the rules as they apply to you and your particular situation. Broadly speaking, Value-Added Tax (VAT) in Estonia is a tax on consumption. Most goods and services supplied in Estonia are subject to VAT.

A person who supplies goods and/or services in Estonia may have to charge VAT and pay this to the Estonian tax authority. As with all taxes, we encourage you to consult with a tax advisor regarding your potential VAT obligations in Estonia.

If you are currently renting a room to guests, you may be required to apply VAT to your rental charge and to pay this VAT amount to the Estonian tax authorities. As Airbnb is not supplying the rental, it is the responsibility of the host to consider local VAT obligations of the rental charge.

Do I need to collect any VAT from guests if I am letting short-term accommodation in Estonia?

In general, individuals and entities who are considered to be in business in Estonia need to charge VAT on their supplies, once the criteria for VAT registration are met.

Currently, in Estonia, you are required to register for VAT if your turnover exceeds €40,000 in a calendar year. As such, where you supply short-term accommodation and you exceed this threshold you should register for VAT. The prerequisite for registering as a taxable person is the condition that the person is engaged in business or intends to engage in business in Estonia (through a form of business, e.g., via private limited company or as a sole proprietor).

If you are a person who is not resident in Estonia, but your accommodation is located in Estonia, then you should consider registering for VAT, as no registration threshold applies to you. The prerequisite for registering as a taxable person is the condition that the person is engaged in business or intends to engage in business in Estonia (e.g., via private limited company or as a sole proprietor).

We encourage you to consult a tax advisor if you need assistance in determining whether you need to register for and charge Estonian VAT.

For further guidance on registering for VAT, please see the Estonian tax authority's website.

VAT applies to me. How do I determine how much tax I need to collect from my Guests?

VAT rates differ per country and change periodically. We recommend you to check on a regular basis with the local tax authority to get the most up to date VAT rates for the country where you are required to pay VAT.

For example, at the date of issuance of this document, the VAT rate applicable to supplies of accommodation (normally supplied for a period of not more than 3 months) is 9% in Estonia. It will increase to 13% as from 1 January 2025.

If the accommodation is provided for a period longer than 3 months (with respect to one stay), the supply may be exempt from VAT (i.e. no VAT will be chargeable).

However, there are other VAT rates currently in force in Estonia, so we recommend that you confirm with a local tax advisor the VAT rate applicable to your supplies.

VAT applies to me. How do I collect VAT from guests?

If you determine that you need to charge VAT on the supplies that you make to guests, please keep in mind that you have to collect this VAT from your guests and report and remit this VAT on a periodic VAT return. In Estonia, the VAT return typically covers a monthly period and is required to be filed by the 20th day of the following month (i.e. the January VAT return is due to be filed by the 20th of February). The VAT payment is required to be made by the same day that the VAT return is required to be filed. In general VAT returns should be filed electronically.

Some formalities, such as issuing a receipt or an invoice to your guests, may be required. Please find more information on this [here](#).

For further guidance on filing returns, please see the Estonian tax authority's [website](#).

Your pricing towards B2C Guests should be VAT inclusive. We recommend that you check your obligations in terms of pricing and the applicable invoice requirements with a local tax advisor.