Employer

According to subsection 2 of § 48 of the Income Tax Act, an employer is:

- ✓ a resident legal person
- ✓ a resident natural person
- ✓ a state or local government authority
- ✓ a non-resident who has a permanent establishment in Estonia (§ 7) or whose employees work in Estonia.

A RESIDENT LEGAL PERSON

A legal person is a resident in Estonia, according to subsection 2 of § 6 of the Income Tax Act, if it is established pursuant to Estonian law. European public limited companies (Societas Europaea, SE) and European associations (Societas Cooperativa Europaea, SCE) whose registered office is registered in Estonia are also residents.

According to § 24 of the Act on the General Part of the Civil Code, a legal person is either a private legal person or a public legal person. According to subsection 1 of § 25 of the Act on the General Part of the Civil Code, a private legal person is a legal person founded in private interests on a basis provided by the law concerning that type of legal person. A private legal person is a **general partnership, limited partnership, private limited company, public limited company, commercial association, foundation and non-profit association.**

According to subsection 2 of § 25 of the Act on the General Part of the Civil Code, a public legal person is the State, the municipality or any other legal person founded in the public interest under the law concerning the legal person in question.

A RESIDENT NATURAL PERSON

According to subsection 1 of § 6 of the Income Tax Act, a natural person is a resident if his or her place of residence is in Estonia or if he or she stays in Estonia for at least 183 days over the course of a period of 12 consecutive calendar months. A person is deemed to be a resident as of the date of his or her arrival in Estonia. Estonian diplomats who are in foreign service are also residents. A resident natural person is a taxable person on the basis of § 48 of the Income Tax Act if he or she acts as an employer (subsection 2 of § 2 of the Income Tax Act).

If the residency of a legal or natural person determined on the basis of an international agreement differs from the residency determined on the basis of law or if the international agreement prescribes more favourable conditions for taxation of income than provided by law, the international agreement will apply.

A STATE OR LOCAL GOVERNMENT AUTHORITY

According to § 38 of the Government of the Republic Act, the authorities of executive power are governmental authorities and state authorities administered by governmental authorities. Governmental authorities are ministries, the Estonian Defence Forces and the Government Office as well as executive agencies and inspectorates and their local authorities with authority to exercise executive power. Other governmental authorities may also be prescribed by law.

State authorities administered by governmental authorities are formed, reorganised and their activities are terminated pursuant to law.

Governmental authorities and state authorities administered by governmental authorities are registered in the state register of state and local governmental authorities.

Local government authorities are authorities and institutions administered by authorities.

A NON-RESIDENT WHO HAS A PERMANENT ESTABLISHMENT IN ESTONIA OR WHOSE EMPLOYEES WORK IN ESTONIA

The creation of a permanent establishment of a non-resident in Estonia is regulated by § 7 of the Income Tax Act. If an international agreement provides for more favourable conditions for the taxpayer with regard to the creation of a permanent establishment, the international agreement will apply.

If a non-resident has a permanent establishment in Estonia, fringe benefits granted to employees of the non-resident (regardless of the residence of the employees) will be taxed at the expense of the permanent establishment. Where an international agreement provides for more favourable conditions for the taxation of fringe benefits, the international agreement will apply. The benefits granted by a non-resident to its employees in Estonia are also subject to taxation as a fringe benefit.

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