Republic of Estonia
Tax and Customs Board

Fringe benefits

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Health and sports

Expenses made to improve health in the amount of **up to 400 euros per employee in a year** are not taxed as a fringe benefit if the employer compensates these expenses to all employees.

An employee is:

- ✓ a person working according to an employment contract;
- ✓ an official;
- ✓ a member of the management or controlling body;
- ✓ a sole proprietor who sells goods to the employer for a period longer than six months;
- ✓ a natural person who works or provides services based on a contract for services, authorisation agreement or any other contract under the law of obligations.

The tax incentive does not apply to the health and sports expenses of an employee's spouse, registered partner, cohabitee or direct blood relative, as well as to an employee of a company that belongs to the same group as the employer or an employee of another company.

Last updated on 08.01.2025

Health and sports expenses

Tax-exempt expenses for improving health are:

1. participation fees in public sports events
2. expenses directly related to regular use of sporting or mobility venues or to massage
3. expenses made for maintenance of the employer's existing sports facilities
4. expenses on services provided by a person holding an activity licence for the provision of health services within the framework of dental care, rehabilitation, psychological treatment, physiotherapy or speech therapy, and on nutrition counselling service provided by a nutrition

counsellor who holds a professional qualification
5. insurance premiums of sickness insurance contracts.

An employer can compensate expenses made for improving the employees' health to the extent of 400 euros per every employee in a year exempt from tax.

It must be considered that:

- ✓ 400 euros **includes VAT, and input VAT cannot be deducted** from the health and sports expenses incurred for employees
- ✓ 400 euros is **for each employee per year** and this amount cannot be transferred to other employees
- ✓ **if an employee has several employers, each employer can apply the tax incentive** for health and sports expenses in the amount of 400 euros
- ✓ **documents are required** to compensate the expenses
- ✓ it is necessary to **keep person-based accounting** (it is possible to choose either cash-based or accrual-based accounting)
- ✓ bearing costs **is not mandatory**, everything listed does not have to be made available to all employees
- ✓ employees receive benefits because of **employment relationships** (the contract is concluded in the future, has stopped, is valid or has ended)
- ✓ the tax incentive **does not include equipment needed for practising sports** (clothes, shoes, table tennis rackets, skis, including rental of sports equipment, etc.) **or additional services** (e.g. catering, transport, parking, wardrobe costs, reception following an event, etc.)
- ✓ the tax incentive also **extends to sports and health expenses made outside Estonia**

Employers can decide whether and which services for health improvement or sporting opportunities they offer to their employees. Employees can decide whether and which services for health improvement or sporting opportunities they use.

EXAMPLE 1

The employer has 10 employees, but two of them want to use the health improvement options. Thus, the

employer can bear tax-exempt health improvement costs for two employees, i.e. 800 euros per year.

EXAMPLE 2

The employer has concluded a contract for the use of a sports club in the amount of 500 euros per month (i.e. 6000 euros per year). The employer has 20 employees. If 10 of them want to use the sporting opportunities, then the cost of using the sports club is tax-exempt in the amount of 4000 euros (10 × 400), and the cost of using the sports club in the amount of 2000 euros (6000 – 4000) is taxed with income and social tax as a fringe benefit. If all 20 employees want to use the sporting opportunities, the cost of using the sports club is tax-exempt in the amount of 8000 euros (20 × 400), and since the employer pays 6000 euros per year, there is no tax liability.

The employer can set different thresholds for reimbursement of expenses for employees if the possibility of reimbursement of expenses is ensured for all employees. Establishing a threshold cannot, however, lead to a situation where some employees have no opportunity for reimbursement of expenses. For example, members of the board have a limit of 400 euros per year, but the limit for employees is 10 euros per year. In this case, it is considered that not all employees have been offered the benefit.

The tax incentive is not intended for employees who work on the basis of short-term (e.g. one-day) authorisation agreements (for example, freelance collaborators of press publications or educational institutions, those who complete study assignments, members of theses defence committees, reviewers, experts, temporary workers, etc. The Income Tax Act allows to make tax-exempt health improvement expenses for them, but not offering them a benefit is not considered a violation of the condition that requires the offer of benefits to all employees.

Last updated on 08.01.2025

Participation fees in public sports events

Avalik rahvaspordiüritus on kõigile huvilistele avatud üritus, kus osalejad tegelevad liikumisega või sportimisega eesmärgiga edendada tervist ja liikumisharrastust. Avaliku rahvaspordiürituse osavõtutasu on vabastatud erisoodustusest **tulumaksuseaduse § 48 lõike 5[5] punkti 1** alusel, selle olulised kriteeriumid on alljärgnevad.

- **Avalikkus.** Üritus on avatud kõigile huvilistele, mitte ühe tööandja, organisatsiooni või suletud ringi liikmetele. Lubatud on mõistlikud piirangud (registreerimine, osalemistasu, osalejate arv).

- **Eesmärk on liikumine või sportlik tegevus.** Ürituse põhifookus on kehaline aktiivsus. Liikumine või sportlik tegevus on näiteks: kõndimine, rattasõit, jooksmine, suusatamine, uisutamine, matkamine, orienteerumine, rahvaspordi formaadis pallimängud jms. Ürituse osavõtutasu võib sisaldada meelelahutust ja tagasihoidlikku toitlustust, kuid ürituse põhirõhk peab olema kehalisel aktiivsusel.

- **Suunatud tavainimestele**, sõltumata vanusest, tasemest või sportlikust ettevalmistusest. Tulemus, koht või aeg ei ole määrava tähtsusega. Üritusele võib olla iseloomulik osavõtu ajakava, reeglid, osalejate (ettevõtete ja/või inimeste) vaheliste tulemuste kõrvutamine (näiteks punktiarvestus), parimate tunnustamine, kuid tegevus ei pea ilmtingimata olema võistluslik.

- **Regulaarsus ei ole nõutav.** Rahvaspordiüritus võib olla nii ühekordne (nt rahvamatk) kui ka perioodiline (nt sari- või iga-aastane üritus).

Rahvaspordiüritused on näiteks rahvajooksud ja -maratonid; rattaretked- ja -maratonid; rahvamatkad (jalgsi, suuskadel, tõukeratastel); avalikud orienteerumisüritused; spordi- ja liikumispäevad, kus osaleda saab igaüks; üritused, mis on suunitletud ettevõtete töötajate vahelistele sportimise tegevustele (liikumisele, võistlustele). Näiteks ITK valdkonnas tegutsevatele tööandjate töötajatele korraldatav spordivõistlus, erinevate firmade vahelised turniirid (nt võrk- või korvpalliturniir).

Rahvaspordiüritused **ei ole**: tippspordi võistlused (eliitliigad, meistrivõistlused); ettevõttesisesed spordipäevad või nendega sarnased kitsamale sihtrühmale suunatud üritused, mille eelduseks on tavaliselt üritust korraldava tööandja juures töötamine või muu võlaõiguslik suhe; peamiselt meelelahutuslikud festivalid, kus liikumine pole keskne; individuaalne spordiklubi treening ilma avaliku ürituse vormita.

NÄIDE 1

Avalikud rahvaspordiüritused on näiteks Narva Energiajooks, Eesti ööjooks, Tallinna maraton, SEB maijooks, Viljandi järve jooks, Tartu linna jooks, LHV tervisejooks ja -kõnd, Saaremaa kolme päeva jooks, Tammsaare rahvamatk, Ekströmi marss Lahemaal, Roheliste Rattaretked, Rattafest.

NÄIDE 2

Tööandja ostab oma töötajatele teenuse pakkujalt avastusretke, matka (ei ole avalik üritus). Tööandja soetatud matkal saavad osaleda omad töötajad. Avastusretke, matka kulusid ei käsitleta maksuvabade tervise edendamise kuludena.

NÄIDE 3

Töötaja esitab tööandjale hüvitamiseks rahvamaratoni pileti. Töötaja oli üritusel vaid pealtvaataja. Sellist kulu tööandja maksuvabalt kompenseerida ei saa, kuna töötaja ei olnud osaleja, vaid oli pealtvaataja.

Participation fees related to public national sports events, which can be attended by anyone (taking into account understandable restrictions set by the organiser, e.g. the number of participants, the obligation to pay the participation fee, etc.) regardless of the employee's employer, are not taxed as a fringe benefit. Public national sports events mean various public series of events and individual events.

Public national sports events are not, for example, company sports days or similar events aimed at a narrower target group, which usually require employment with the employer organising the event or a relationship under the law of obligations. Public sports events are also events that are aimed at sports activities between employees of companies (exercise, competitions). For example, a sports competition organised for employees of IT companies, tournaments between different companies (e.g. volleyball or basketball tournaments). A public national sports event is characterised by public notification, participation schedule, rules, comparison of results (for example, scoring) between participants (companies and/or people), recognition of the best.

Example 1
Public national sports events are, for example: Narva City Run, Night Run Estonia, Tallinn Marathon, LHV Women's Run, the Great Race around Lake Viljandi, Tartu City Marathon, Saaremaa 3-day Running Marathon, Tammsaare national hike, Ekström March in Lahemaa, etc.

Example 2
The employer buys a hiking tour (not a public event) for its employees from a service provider. The employer's employees can participate in the hike purchased by the employer. The costs of hiking tours and hikes are not treated as tax-exempt health improvement costs.

Last updated on 20.07.2026

Expenses directly related to regular use of sporting or mobility venues

Sporting and mobility venues are public and companies' own sports clubs, the costs of which are covered for employees or reimbursed to employees based on expense documents.

Sporting and mobility venues are, for example:

- ✓ stadiums, sports-specific fields and halls;
- ✓ gymnasiums, artificial fields, halls, health trails, bicycle paths;

- ✓ green areas, parks, streets, squares.

Since the purpose of the tax incentive is primarily to support the continuous health improvement of employees, the tax exemption does not extend to situations where the employer wants to rent a sports complex or training place for a short period of time, e.g. for company sports days.

A company's own sports club also means, for example, a non-profit organisation created by employees, to which membership fees are paid, from which the members' sports expenses are covered.

EXAMPLE

Continuous participation in folk dance, ballroom dance classes, yoga training, adult ballet, belly dance classes, swimming training, aerobics, gym (including sports club membership fee), table tennis training, sauna yoga, etc. are considered health promotion expenses. Also, the costs of mobile apps and exercise videos that offer different programs for sports/exercise in gyms, on health trails, at home, etc.

NB! Purchasing services of water centres, spas, sauna centres in such a way that one does not do continuous sports/training activities there is not subject to tax incentive.

Massage

The list of expenses includes expenses **directly related to massage**. Massage also includes massages performed with or using a device, such as roller massage, LPG massage, or massage on a massage chair. The massage provider **does not** have to be registered in the healthcare management information system, nor is there a requirement for a professional certificate for massage providers.

All beauty treatments, including fat-reduction procedures, body and facial treatments, and hand and foot treatments (e.g. pedicures, manicures) that include massage, are subject to taxation as fringe benefits. Beauty treatments are not regarded as tax-exempt health improvement expenses, i.e. expenses directly related to massage within the meaning of clause 2 of subsection 5^5 of § 48 of the Income Tax Act. For the tax incentive under the massage provision (**clause 2 of subsection 5^5 of § 48 of the Income Tax Act**) to apply, the service as a whole must qualify as a massage.

EXAMPLE

Service	Description	Is the service as a whole considered a massage, i.e. tax-exempt under clause 2 of subsection 5^5 of § 48 of the Income Tax Act?
LPG, roller massage	Device-based massage	Yes

Service	Description	Is the service as a whole considered a massage, i.e. tax-exempt under clause 2 of subsection 5^5 of § 48 of the Income Tax Act?
Massage on a massage chair	A massage chair uses mechanical components (rollers, airbags, vibrating mechanisms) to relax muscles and improve blood circulation.	Yes
EMS magnet	Device-based treatment to increase muscle mass, improve muscle tone, and reduce body fat	No
Cold Lipo	Fat-reduction procedure	No
Thermo-C	Device-based body treatment	No
Cavitation	Fat-reduction procedure	No
Cryolipolysis	Fat-reduction procedure	No
Pressotherapy	Device-based body treatment	No
Massage of the shoulder area, décolletage, etc.	Massage of a specific area of the body	Yes
Lymphatic massage	A specific type of massage	Yes
Facial massage	Massage of the facial area	Yes
Osteopathy	Holistic manual therapy	No

The tax incentive for rehabilitation (**clause 4 of subsection 5^5 of § 48 of the Income Tax Act**) may apply to certain services that do not qualify as massage within the meaning of clause 2 of subsection 5^5 of § 48 of the Income Tax Act. For more information about the conditions, please see the article "**Expenses on dental care, rehabilitation and other services**".

Last updated on 22.04.2026

Expenses made for maintenance of employers' existing sports facilities

The tax exemption extends to expenses incurred for the maintenance of employers' existing sports facilities (excluding investments). Employers can maintain existing facilities within the limit of the tax exemption. The size of the threshold is also 400 euros per employee per year, and the limit of those employees who use the employer's sports facilities can be used.

Example
Sports facilities are stadiums and sports fields, ice rinks, outdoor swimming pools, motor tracks, race tracks, velodromes, golf courses, beach bathing facilities, trampolines, roller-skiing tracks. The exemption also applies to buildings and parts thereof which are not sports facilities (e.g. gyms).

Expenses incurred for the maintenance of sports facilities include, for example, expenses directly related to the maintenance of the premises, which may include the repair and cleaning of the premises and equipment used for health promotion, as well as expenses such as electricity and water.

Please note that the price of the fringe benefit is not the market price for the use of a comparable gym, but the amount actually spent on maintenance of the sports facility.

Example
The employer has created a gym for the employees of the company to use in their premises, which is regularly used by 10 employees. Maintenance and cleaning of rooms and equipment costs 200 euros per month, plus 150 euros for water and electricity costs, totalling 350 euros per month, or 4200 euros per year. Since the annual tax-exempt limit for 10 employees is 10 × 400 = 4000 euros, the part exceeding the limit, i.e. 200 euros, is subject to taxation.

If the employer builds a gym in the office and buys new instruments or equipment for the gym, the expense incurred is considered a business-related payment that is not taxed.

Last updated on 08.01.2025

Expenses on dental care, rehabilitation and other

services

DENTAL CARE, REHABILITATION, PSYCHOLOGICAL TREATMENT, PHYSIOTHERAPY, SPEECH THERAPY, NUTRITIONAL COUNSELLING

Pursuant to clause 4 of subsection 5^5 of § 48 of the Income Tax Act, the following expenses made for improving the health of an employee to the extent of 400 euros per employee in a year are not subject to taxation as fringe benefits if the employer has enabled these to all employees: expenses on services provided by a person holding an activity licence for the provision of health care services within the framework of dental care, rehabilitation, psychological treatment, physiotherapy or speech therapy, and expenses on nutritional counselling service provided by a nutritional counsellor who holds a professional qualification.

Two key conditions must be met in order for these expenses to be reimbursed exempt from tax:

- ✓ only services provided by entities with activity licences for the provision of health care services fall within the scope of the special rules; and

- ✓ services must have a specific scope – the special rules apply only to services provided as part of dental care, rehabilitation, psychological treatment, physiotherapy or speech therapy, and to nutritional counselling service provided by a nutritional counsellor who holds a professional qualification.

A health care provider must hold an activity licence for the provision of health care services and a professional certificate is required from a provider of nutritional counselling.

The existence of an activity licence for the provision of health care services can be looked up from **the register on the website of the Health Board**. When nutritional counselling is provided, the professional qualification of a nutritional counsellor and /or a nutritional therapist is required. This means that a nutritional counsellor may hold a professional certificate as a nutritional counsellor or as a nutritional therapist, or both. Occupational qualification certificates can be checked from **the register of occupational qualifications** of the Estonian Qualifications Authority.

Dental care

All dental care services can be reimbursed exempt from tax in the amount of 400 euros per employee in a year. There are no special rules with regard to the services to be compensated. Installation of a dental prosthesis or implant, soda blasting, orthodontics, teeth whitening, removal of dental pigment, etc. – all dental care services are reimbursable under clause 4 of subsection 5^5 of § 48 of the Income Tax Act.

NB! A dental care provider must hold an activity licence of a health care provider.

Rehabilitation and other services

The spectrum of services is broad – according to the wording of the provision, the services of all specialists acting in the context of rehabilitation, including, for example, services provided by occupational therapists and psychological councelors, whether they are provided as individual services or in the context of complex services, are covered. Consultation with specialists from other disciplines (psychiatrists, ophthalmologists, orthopedists) may be justified in the field of rehabilitation, and the provision of such services to an employee is also in line with the objective of the provision and thus not taxed as a fringe benefit. Similarly, in the context of psychological treatment, in addition to clinical psychologists, it is also possible to fund the services of psychological councelors or mental health nurses.

The provision of psychological care can take place in the framework of specialised medical care, family medical care and independent provision of psychological care.

Last updated on 14.07.2025

Insurance premiums of sickness insurance contracts

Upon agreement with employees, employers can conclude health insurance contracts with insurance companies to cover possible medical expenses or compensate the employees for payments made on the basis of expense documents tax-exempt up to the limit of the tax incentive.

Voluntary health insurance is necessary especially for those who for some reason are not covered by the Health Insurance Fund or cannot/do not wish to purchase it separately from the Health Insurance Fund.

Private health insurance is mostly intended for those who:

- ✓ do not consider the services of the Health Insurance Fund sufficient
- ✓ wish to be treated in private medical facilities
- ✓ if necessary, want to go abroad for treatment

Example

The employer concludes a health insurance contract offered by the Health Insurance Fund for a person who does not have state health insurance (e.g. the service is provided on the basis of a contract under the law of obligations and the monthly fee is lower than the monthly rate based on the minimum obligation of social tax).

Pursuant to the insurance contract, the person (insurer) undertakes, upon the occurrence of an insured event, to compensate for damage caused by the insured event or to pay the agreed amount of money or to perform the contract as otherwise agreed and the other person (policyholder) undertakes to pay insurance premiums to the insurer (**§ 422 of the Law of Obligations Act**).

Insurance activity is the taking over of insurance risks based on an insurance contract and compensation for damage in case of an insured event (**subsection 1 of § 2 of the Insurance Activities Act**). To engage in insurance activities, a company must hold an activity licence (authorisation). The Estonian Financial Supervision and Resolution Authority grants authorisations to companies established in Estonia.
Insurance institutions

Last updated on 08.01.2025

Calculation and declaration of tax incentives

CALCULATION OF TAX INCENTIVES

If the period of making the expense (receiving the benefit) and payment for it are on different times, the employer must choose the way to keep records: whether the records are kept based on the expense (activity) or the payment made in a year. The employer must use the chosen method consistently throughout the year and for all employees.

DECLARATION

The amount exceeding the tax-exempt limit is declared on Annex 4 of form TSD at code 4120. The form is submitted by the 10th day of each following month. The tax liability on fringe benefits is paid based on form TSD, as usual.

The total of tax-exempt health improvement expenses covered or reimbursed during the calendar year in the extent of the threshold (**subsection 5^5 of § 48 of the Income Tax Act**) and the number of employees for whom expenses have been covered or reimbursed during the calendar year are declared **in part III of**

form INF 14.

Mandatory expenses arising from **subsection 1 of § 13 of the Occupational Health and Safety Act** are not indicated in the form INF 14, because these expenses are related to business and are not declared there.

TAX LIABILITY

The price of the fringe benefit is calculated from the part exceeding the limit.

Example
The employer has concluded a contract for the use of the sports club in the amount of 500 euros per month (i.e. 6000 euros per year). 10 employees use the offered possibility. The annual tax-exempt limit for 10 employees is 10 × 400 euros = 4000 euros. 6000 – 4000 = 2000 euros is subject to taxation with both income tax and social tax.

Last updated on 08.01.2025