

## Possible changes to Estonian CIT

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The Ministry of Finance has not abandoned its plans to amend the Estonian CIT regulations. However, as follows from the draft published on 16 March 2026, the original assumptions regarding the amendment of the Estonian CIT have been modified.

### 1. Relief for Estonian CIT taxpayers regarding the signing of financial statement

According to the draft, for taxpayers who, between 1 January 2022 and 1 December 2026, elected Estonian CIT before the end of their adopted tax year, the requirement to prepare financial statements will also be deemed satisfied if such financial statements were signed after the deadline. This relief may provide a remedy for many companies that made formal mistakes when implementing Estonian CIT. The condition will be that the financial statements are prepared no later than within one month from the entry into force of the amendment.

### 2. Clarification of the definition of hidden profits

The Ministry of Finance proposes to clarify the definition of hidden profits. Under the current wording of the regulations, a hidden profit may only be a transfer related to the right to participate in profits. It is planned to remove this condition, as it gives rise to numerous interpretative doubts. In the Ministry's view, applying current rules is ineffective from the perspective of ensuring the integrity and predictability of Estonian CIT taxation.

In addition, it has been proposed to expand the catalogue of hidden profits to include all types of fees and charges:

- arising from a lease, tenancy or other agreement of a similar nature,
- for the use of copyrights, licences, industrial property rights and know-how,
- for advisory, accounting, market research, legal, advertising, agency, management and control, data processing, employee recruitment and personnel acquisition services, guarantees and sureties, and services of a similar nature,

as well as remuneration paid to a shareholder under article 176 of Polish Commercial Companies Code (remuneration for shareholder's services).

At the same time, it has also been proposed to expand the catalogue of benefits excluded from hidden profits. Hidden profits will not be constituted by any types of charges:

- for the acquisition of raw materials, materials and goods used exclusively in the business activity;
- for the acquisition of supplies or services that are subsequently resold by the taxpayer or are necessary for the production of goods or services offered by the taxpayer.

### 3. Introduction of a definition of expenses unrelated to business activity

The Ministry of Finance indicated that the current lack of a definition of expenses unrelated to business activity (taxable under Estonian CIT) leads to numerous interpretative doubts.

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According to the proposed definition, expenses unrelated to business activity should be understood as:

- expenses incurred for a purpose other than generating revenue or maintaining or securing a source of revenue, or
- all types of public-law fees and charges of a punitive nature.

#### **4. Change regarding income from net profit – applicable to a taxpayer that has ceased to be taxed under Estonian CIT**

According to the amendment, the distribution of profit after resigning from Estonian CIT or after losing the right to this form of taxation will be subject to a presumption that the profit distributed is Estonian-regime profit and CIT is payable.

However, the above regulation excludes situations in which the resolution on the allocation of net financial result shows that the distributed profit was earned outside the period of lump-sum taxation.

#### **5. Liberalisation of the employment condition**

The current wording of the regulations leads to the conclusion that, in order to meet the employment condition, a company applying Estonian CIT may not count jointly persons employed under employment contracts and persons engaged under civil law contracts.

The proposed change responds to the above practical difficulties and consists in allowing both employment contracts and civil law contracts to be taken into account when determining whether the overall employment requirements are met.

#### **6. Removal of the possibility to switch to Estonian CIT before the end of the taxpayer's tax year**

The Ministry of Finance proposes to repeal Article 28j(5) of the CIT Act, indicating that this regulation generates numerous interpretative doubts and tax disputes (primarily concerning the preparation of financial statements). It was also emphasized that the purpose for which the provision was introduced in its current wording (to allow the broadest possible group of taxpayers meeting the statutory conditions to use Estonian CIT) has already been achieved (more than 20,000 companies apply Estonian CIT), and therefore there are no grounds for keeping this regulation in force any longer.

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- we provide ongoing advisory support,
- we verify tax settlements, identifying potential risk areas,
- we help mitigate identified risks and remedy identified irregularities,
- we support the development of a safe tax strategy for the following years of taxation under Estonian CIT.

If you have any questions or concerns, please contact:

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