

## What taxes do Estonian employers and employees pay from their income?

**1. Income tax 20 %** - is being deducted from employee's salary

-companies pay income tax from undivided income

**2. Unemployment insurance premium** - 1,6 % is being deducted from employee's salary (except pensioners)

- employer pays 0,8 % from paid salary

**3. Social tax** – employer pays 33% from salary fund

**4. Funded pension** (II pillar is compulsory for people born since 1983) - 2 %.  
Voluntary for older people.

Government adds 4% from social tax.

**5. Tax-free minimum** = 180 euros per month.

Minimum salary when working full time (8 hours per day, 5 days a week) is 470 euros per month. Minimum wage per hour is 2.78 euros.

Here's an example:

euros gross monthly salary

Tax-free minimum (180 €/kuus)

Unemployment insurance premium (1.6 %)

Unemployment insurance premium paid by employer (0.8 %)

Funded pension (II pillar) 2%

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Result

	Employee's salary and taxes	Percentage of total
Gross monthly salary	470,00 €	100,0%
Unemployment insurance premium (employee) (1.6%)	7,52 €	1,6%
Funded pension – II pillar (2%)	9,40 €	2,0%
Income tax (20%)	54,62 €	11,6%
Net salary (transferred)	398,46 €	84,8%
	<b>Employer's expenses and taxes</b>	
Total expense for employer	628,86 €	100,0%
Gross monthly salary	470,00 €	74,7%
Social tax (33%)	155,10 €	24,7%
Unemployment insurance premium (paid by employer) (0.8%)	3,76 €	0,6%