

# Reporting obligation of platforms according to the Estonian Tax Information Exchange Act

October 2023

Estonia has implemented an EU directive that from 2023 will require platform managers to start collecting information related to tax on both natural and legal persons who are sellers. If a seller refuses to provide the platform manager with the necessary information, the platform manager will have the right to close the seller's account and not transfer the fee that they are owed.

## What is a platform and who is a seller?

To get a more comprehensive picture about the reporting obligation of platforms it is necessary to define what a platform is and who is a seller. According to the Tax Information Exchange Act (TIEA), a platform is software that enables the seller to be in contact with other users to engage in activities covered by the reporting obligation, as well as an arrangement for collection and payment of the fees related to such activities. On the other hand a seller is a person or legal arrangement that is registered on the platform and is engaged in activities covered by a reporting obligation or to whom a fee is paid or credited related to this activity.

## Reporting obligation of platforms starting from 2024k

In the previous years, data exchange with the platforms took place on a voluntary basis. The Estonian Tax and Customs Board (MTA) had signed agreements with some of the platforms, and these platforms voluntarily provided the MTA with information on vendors who had given their consent. However, according to the MTA, the revenue declared in this way represents a small proportion of the revenue actually generated, as few platforms provide data on a voluntary basis.

Platform managers will have to start providing the tax authorities with information on the income of persons operating on the platform by 31 January of the previous calendar year, with the first submission on 31 January 2024.

Thereafter, EU Member States will exchange the data within one month, and by 28.02.2024 Estonia will also have an

overview of the income earned by Estonian people on different platforms (e.g. AirBnB, Amazon, Bolt, Uber, Booking.com, Etsy, Bolt, Wolt, etc.). In addition to Estonia's own earnings on small platforms.

## Activities covered by the reporting obligation

For the purposes of this chapter, an activity covered by the reporting obligation is the following activity performed for a fee:

1. renting or leasing immovable property or part thereof - The phrase 'renting or leasing of immovable property' must be interpreted in a broader and purposive sense so that it includes part of a property - for example, a property rented out on a short-term basis by a hotelier - the hotel room may not be a separate property with its own property number and address, but it is nevertheless classified in the sense of the TIEA as renting or leasing out a 'property'. It is also irrelevant whether residential, commercial, parking, etc., is leased or rented, as all types of property are covered;
2. provision of time or task based service - This refers to any "gig work" performed for a fee for the buyer. It does not matter whether it is done by one or more persons, whether they do it independently or on behalf of an undertaking, whether it is done physically or via the internet, whether it is short-term or long-term, etc. Time or task-based service could be, for example, a transport service, the provision of a language course over the Internet, courier service, childcare, etc. It should be stressed that this is not a legal qualification - the provision is not intended to give guidance to the platform manager as to whether a time- or task-based service is provided to the purchaser in the context of a mandate, contract, employment contract or similar legal relationship. The question boils down to whether something was made to someone for remuneration;



3. transfer of a thing - This does not cover the transfer of intangible property, such as the granting of various copyrights and licences, nor does it cover the transfer of goods that exist in electronic form, such as digital computer games, digital books, etc.;
4. leasing or renting out a means of transport - This means a service where a person is provided with a means of transport (e.g. a car) in return for payment which he or she drives or arranges to be driven by himself or herself. This item does not include transport services, i.e. a service where the means of transport is accompanied by a driver who drives the means of transport himself.

## What does this mean for platform operators and sellers?

As a business, if you have a website or app where you match service providers or sellers with buyers (e.g. home cooks, children's toy shops, handicrafts shops, domestic helpers, etc.), you should carefully check whether your business falls under this rule. If so, you need to start preparing quickly to meet your obligations. The government is taking this matter seriously since the economy of the state depends on it.

If you have earned money as a contractor or vendor on such platforms, be aware that you will have to declare and pay tax on the income you earn next year. If you've been a private individual up to now, it's high time to move your operations under a company. The data will also be transmitted for legal entities, but at least not all income will be taxable.