Questions and answers on tax reduction

1. To whom and how will the motor vehicle tax reduction be applied?

The Estonian Tax and Customs Board (ETCB) calculates the tax liability reduction on the basis provided for in the Motor Vehicle Tax Act, i.e. on the basis of data from the population register, equally between parents or natural persons that have legal custody.

The actual use and amount of the tax reduction depends on whether all or only one parent has an M1 or N1 category taxable vehicle for which the tax liability must be recalculated, as well as on when the vehicle was purchased and how old the children are.

2. The tax reduction covers the entire annual motor vehicle tax liability. Do I need to contact the Tax and Customs Board before tax notices are issued so that the reduction can be applied?

No, the tax reduction is applied automatically based on data from the population register. The motor vehicle tax liability is reduced depending on the number of children and the size of the tax liability on vehicles of categories M1 and N1, but not more than the total tax liability of M1 and N1 category vehicles.

Example 1

A parent has full custody of one minor child and owns a vehicle subject to an annual fee of 100 euros.

The parent is entitled to a tax reduction of 100 euros. No tax liability arises and no tax notice is issued.

The notice of non-assessment of tax can be viewed in the e-services environment e-MTA.

Example 2

A parent has full custody of one minor child and owns a vehicle subject to an annual fee of 85 euros.

The parent is entitled to a tax reduction of 85 euros. No tax liability arises and no tax notice is issued.

Since this parent is entitled to a tax exemption of 100 euros during the period of taxation, of which 85 euros will be used, the balance of the tax exemption will be 15 euros, which will be automatically taken into account upon the acquisition of a new vehicle first registered in Estonia.

3. If, formally, the parents have equal rights of custody, but the children are raised 100% by the mother, is the tax reduction then shared between the two parents?

Yes. Both parents are entitled to a reduction in tax liability if they have legal custody of the children. The actual use and amount of the tax reduction depends on whether all or only one parent has an M1 or N1 category taxable vehicle for which the tax liability must be recalculated.

4. If my children are residents of a foreign country, is it possible to receive a reduction in motor vehicle

tax?

The ETCB calculates the reduction in motor vehicle tax liability based on the data from the Estonian population register. If the taxpayer has legal custody of non-resident children as indicated in the population register, they are also entitled to a tax reduction.

5. My child will turn 19 on 1 May. Am I entitled to a 100 euro reduction in motor vehicle tax?

Yes, you are.

In order to qualify for the tax reduction, three conditions must be met:

1. the taxpayer is the owner or authorised user of a vehicle of category M1 or N1;
2. the vehicle is purchased before the child turnes 19;
3. the taxpayer had full custody of the child on the day before the child reached the age of 18.

Example

If a child turns 19 on 1 May and the family buys a new vehicle on 28 May (i.e. after the child turns 19), the reduction does not apply to the new vehicle acquired (and registered in Estonia for the first time), as the child has reached the age of 19.

The family is entitled to use the tax reduction until 30 April. This means that the family receives the tax reduction for the vehicle that was in the parents' name at the beginning of the year (1 January).

6. A child was born on 1 January, 2006. Are the parents eligible for a motor vehicle tax reduction?

If the child was born on 1 January, 2006, the parents are not eligible for a tax reduction, as the child is 19 years old as of 1 January, 2025.

The right to a tax reduction ends on the day before the child turns 19, i.e. on 31 December, 2024.

7. A family has one minor child. Both of the family's cars are registered in the name of one parent. In this case, does the entire tax exemption of 100 euros go to one parent?

Yes, the general principle is that the tax reduction for minor children applies in full even if the family has two or more M1 or N1 category motor vehicles registered in the name of only one parent.

Example

A father has two cars in his name and there is a minor child in the family. The father has legal custody of the child.

The father receives a tax reduction of 100 euros, which is divided between the two cars to reduce the tax amount.

8. A family has two minor children and both parents have an M1 or N1 category motor vehicle. Are both parents eligible for a tax reduction?

Yes. The family is entitled to a total tax reduction of 200 euros for the two minor children. If both parents have a car and have custody rights, both parents are entitled to a tax reduction of 100 euros.

9. A family has two minor children. They have two vehicles, which are owned by one of the parents. The other parent is the user of the vehicles. Who gets a tax reduction and how much?

The owner of the vehicles is entitled to a total tax reduction of 200 euros for the two minor children.

10. Does the tax reduction also apply to M1G category vehicles? Or is it specifically intended for M1 and N1 category vehicles?

Yes, it does. The tax liability will also be reduced for vehicles in the M1 and N1 subcategories.

11. On 1 January, one parent had a car. That parent received a tax reduction of 200 euros for two children. During the year, the other parent also purchased a vehicle and became liable for motor vehicle tax of 150 euros. How is the tax reduction taken into account?

There are various possible situations here:

- ✓ if only one parent had a vehicle in January, the tax reduction of 200 euros was applied. Therefore, the family's tax reduction has been used up and the other parent will not receive a tax reduction upon purchasing a new vehicle (first registration in Estonia).

- ✓ if, in January, one parent had a tax liability of less than 200 euros and there is a balance that can be divided, the Estonian Tax and Customs Board will reduce the tax liability for the newly registered vehicle by the amount of the balance.

Example

As of January, the tax liability is 150 euros and a tax reduction balance of 50 euros is created. This balance can be used by the other parent to reduce the tax liability incurred when purchasing a new vehicle registered in Estonia for the first time. In this case, the tax liability of the parent who purchased the vehicle is 100 euros.

12. I have a minor child, but I don't have a vehicle. Am I also eligible for a tax reduction of 100 euros? Will you transfer this amount to my prepayment account?

The reduction in motor vehicle tax liability for children applies only to owners of M1 or N1 category vehicles or authorised users of leased vehicles of M1 or N1 category (basis: **§ 15[1] of the Motor Vehicle Tax Act**).

This has been provided **only** for reducing motor vehicle tax liability and can not be used to reduce other tax liabilities or be refunded to anyone. The amount will not be refunded to parents via prepayment account in the e-services environment or in any other way.

If you do not have an M1 or N1 category vehicle or a tax liability to reduce, this tax reduction does not

apply to you.

13. A family has two minor children and a parent received a tax reduction of 200 euros. The tax liability for the vehicle is 50 euros. The other parent does not have a vehicle of category M1 or N1. 150 euros is not used. Do parents get the 150 euros back?

The reduction in motor vehicle tax liability for children applies only to owners of vehicles of M1 or N1 category or authorised users of leased vehicles of M1 or N1 category (basis: **§ 15[1] of the Motor Vehicle Tax Act**).

This has been provided **only** for reducing motor vehicle tax liability and can not be used to reduce other tax liabilities or be refunded to anyone. The amount will not be refunded to the parent via the prepayment account in the e-services environment or in any other way.

In this case, the tax reduction balance is 150 euros, which can be used to reduce the tax liability arising from the purchase of a new vehicle registered for the first time in Estonia during the tax period.

14. There are two parents in the family, one minor child, and one M1 or N1 category vehicle. Both parents have full legal custody of the child. To whom and how will the motor vehicle tax reduction be applied?

Having one minor child in the family entitles the parent who is listed in the motor register as the vehicle's owner or authorised user (if the owner of the vehicle is a lessor) to a tax reduction of 100 euros.

The general principle is that the tax reduction for minor children applies in full to the parent who has full custody of the child, even if the family owns one or more M1 or N1 category motor vehicles registered in the name of only one parent.

15. If spouses have made an entry of common ownership in the motor register, does it affect the obligation to pay motor vehicle tax, including the tax reduction for the child?

If a vehicle is in common ownership, only one person is indicated as the owner in the motor register.

The calculation of the tax reduction is linked to the owner or authorised user (in the case of a leased vehicle) of the vehicle. Two conditions must be fulfilled:

1. the person must have legal custody of at least one child up to 18 years of age (included);
2. the person is the owner or authorised user (if the owner of the vehicle is a lessor) of at least one motor vehicle of category M1 or N1.

Additional information and explanations can be found on the Transport Adminisration's web page **"Amending register data"**.

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