Reduction of tax liability of families with children

The motor vehicle tax payable by a parent, i.e. an eligible person, is reduced **by up to 100 euros per each child**.

To be eligible for the reduction, the parent must meet **two conditions:**

1. They have **full legal custody** of at least one child aged 18 or younger;
2. They are the owner or authorised user (if the owner of the vehicle is a lessor or non-resident) of at least one passenger car or minibus (category M1 or N1). The reduction does not apply to the categories specified in **§ 11 of the Motor Vehicle Tax Act** (motorcycles, ATVs, etc.).

Pursuant to **subsection 7 of § 15[1] of the Motor Vehicle Tax Act**, legal custody for the purposes of this Act means sole custody or joint custody of a child which has not been suspended, restricted, transferred, or withdrawn. In other words, a parent or **natural person guardian** has **full legal custody, regardless of the type of custody**.

Full legal custody is:

- ✓ full property guardianship over the property of a child and physical custody of a child, or
- ✓ full property guardianship over the property of a child, or
- ✓ full physical custody of a child.

Restricted, suspended, transferred, or withdrawn custody does not give a right to a reduction.

> **NB!** The existence and validity of legal custody can be checked in the **population register**.
>
> On the population register homepage, click the link "**My data in the population register**" and sign in to the portal. If you have not used the services of the e-population register for some time, you will first be asked to review your data and edit it if necessary. Confirm your data by clicking on the "Confirm data" button at the bottom of the page.
>
> You can view your legal custody data on the "**My data**" page under "**Children**".

The Tax and Customs Board calculates tax reductions automatically based on the data in the

population register. You do not need to contact us separately or submit any additional documents to get a tax reduction.

We calculate the reduction of the liability to pay motor vehicle tax for parents or natural person guardians who have full legal custody:

- ✓ as of 1 January;
- ✓ as of the date of the first registration of the motor vehicle in the Estonian motor register;
- ✓ during the tax period, at the time of the entry of the child's legal custody in the population register.

The amount reducing the tax liability is **divided equally between the parents**.

The right to a tax reduction ends on the day before the child turns 19.

If a child is born to a family during the year, we will recalculate the tax liability for M1 or N1 category vehicles after the parents have acquired full custody of the child according to the population register. We will revoke the previous tax notice(s) and issue a new tax notice within 15 working days.

Additional information on issuing a tax notice

If the tax liability is reduced after the motor vehicle tax has been paid in full or in part, the overpaid amount will be transferred to the person's **prepayment account** in the e-services environment e-MTA. To receive a refund from the prepayment account to your bank account, please submit an **application for refund of the available funds of the prepayment account** in the e-services environment. **Instructions for submitting the application**

Balance of tax liability reduction

If the full amount of the reduction of the tax liability is not used during the tax period, a tax reduction balance will be created. The balance of the tax reduction can **only** be used to reduce the motor vehicle tax liability arising during the **same** tax period from the **purchase of a new vehicle registered for the first time** in Estonia.

Example

The family has one child, and each parent is entitled to a tax reduction of 50 euros.

One parent’s tax liability is 30 euros, and the other parent’s tax liability is 46 euros.

Both parents' tax liabilities are less than the amount of the tax reduction.
One parent has a tax reduction balance of 20 euros (50 euros – 30 euros).
The other parent has a tax reduction balance of 4 euros (50 euros – 46 euros).

Both parents are entitled to use the resulting tax reduction balance of 24 euros when purchasing a new vehicle registered in Estonia for the first time.

NB! The tax reduction balance created during the tax period

- **will not be carried over** to the next tax period,
- can **only** be used to reduce the motor vehicle tax liability,
- **will not be refunded** via the prepayment account in the e-services environment e-MTA or in any other way.

If the tax liability of one parent is less than the amount reducing their tax liability, the balance is automatically divided between the parents (**subsection 3 of § 15[1] of the Motor Vehicle Tax Act**).

Example

The family has one child, and each parent is entitled to a tax reduction of 50 euros.

One parent's tax liability is 30 euros, and the other parent's tax liability is 150 euros.

Since one parent's tax liability is less than the amount of the tax reduction, the tax reduction balance of that parent is 20 euros (50 euros – 30 euros), which is automatically transferred to the other parent.

The other parent receives a total tax reduction of 70 euros (50 euros + 20 euros) and owes 80 euros (150 euros – 70 euros).

The tax reduction received for the children has been fully utilised (50 euros + 50 euros), and no balance arises.

End of legal custody of a child

If the legal custody of a child ends during the tax period (year), the reduction of the tax liability will not be recalculated, and the balance will not be increased (**subsection 5 of § 15[2] of the Motor Vehicle Tax Act**).

Legal custody of a child may end due to

- the child reaching 19 years of age;
- a change in custody (restricted, suspended, transferred, or withdrawn);

- the death of the child.

Example

There is one child in the family and two eligible parents. A tax reduction of 50 euros is calculated for each parent at the beginning of the year.

During the year, one parent's custody of the child was withdrawn. The tax reduction calculated for that parent at the beginning of the year is not revoked.

If that parent's tax liability was less than the amount reducing their tax liability and an unused tax reduction balance arose, that balance is not automatically transferred to the other parent.

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