Republic of Estonia
Tax and Customs Board

Motor vehicle tax handbook

Table of contents

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of this Act means sole custody or joint custody of a child which has not been suspended, restricted, transferred, or withdrawn.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Restricted, suspended, transferred, or withdrawn custody does not give a right to a reduction.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.

Last updated on 16.04.2026

Examples of tax reduction for families with children

One child, two parentsOne child, two parents, one parent owns two vehicles One child, parent also has a vehicle not subject to tax reduction One child, two parents, acquisition of a new vehicle during period of taxation One child, two parents, acquisition of a new vehicle and addition of custody rights during the period of taxation Blended family with vehicles that are not subject to tax reduction Family without joint custody of some of the children Family, where a child has three persons who have legal custodyThree children, two parents, two vehicles Three children, two parents, three vehiclesThree children, two parents, two vehicles. Automatic use of the calculated balance upon acquiring a vehicle. One child reaches 19 years of age during period of taxationTaxation period reduction in connection with the destruction of a vehicleTaxation period reduction in connection with the transfer of a vehicle abroad NB! Transfer in Estonia does not affect tax liability

Last updated on 02.12.2025

Questions and answers

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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