Taxes and Fees



Tarrvi Laamann. Cafe Specially People. Plant print and acrylic on canvas made from a coffee sack. 2022 (fragment of the work)

During the reporting year, the Chancellor received numerous complaints concerning public-law financial obligations. The motor vehicle tax and vehicle registration fee continued to raise the most questions, but people also sought explanations concerning land tax, parking fees, the annual fee for the management of a marketing authorisation of a veterinary medicinal product, and other taxes and fees.

People raised questions about fair treatment, procedural safeguards and the proportionality of taxes. The Chancellor was also asked to assess legislative amendments by which the Riigikogu substantially restructured the operation of savings and loan associations.

Motor Vehicle Tax

Taxation of Stolen and Destroyed Vehicles

At the beginning of 2025, the Chancellor proposed that the Riigikogu bring the Motor Vehicle Tax Act and the Road Traffic Act into conformity with the Constitution. In the Chancellor's assessment, the Constitution was violated, for example, by provisions requiring motor vehicle tax to be paid even on a vehicle that had been stolen, destroyed in an accident or otherwise taken out of use for a similar reason. Even after the proposal had been submitted to the Riigikogu, several people contacted the Chancellor whose vehicles had been destroyed or stolen during the first year in which the Motor Vehicle Tax Act was in force and who considered it unfair to tax a vehicle in such circumstances.

In November 2025, the Riigikogu adopted the Act amending the Motor Vehicle Tax Act, providing for a reduction of the period of taxation where a vehicle is stolen, destroyed or deleted from the motor register as a result of another event. Under the amendment, a person pays motor vehicle tax according to the number of days during which the stolen or destroyed vehicle was registered in the motor register.

The amendment was applied retroactively from 1 January 2025, which also reduced the tax liability of the people who had contacted the Chancellor.

Vehicle Registration Fee

The Chancellor's proposal to the Riigikogu concerned not only motor vehicle tax but also the refund of the vehicle registration fee and shortcomings in the procedure for administering the registration fee.

As the Riigikogu took the Chancellor's proposal into account only in part, the Chancellor submitted an application to the Supreme Court to declare Chapter 12^3 of the Road Traffic Act unconstitutional and invalid to the extent that it was contrary to the Constitution. The Chancellor found that the Road Traffic Act was unconstitutional because it did not provide for at least a partial refund of the registration fee where a vehicle was stolen, destroyed or otherwise taken out of use for a similar reason.

Since the registration fee is not a cost-based fee charged for performing an official act but, in substance, a tax within the meaning of § 113 of the Constitution, the Chancellor found that the failure to refund the registration fee could not be justified on the ground that a service had been received in return — namely,a registration procedure . Nor does insurance always provide a solution: very old vehicles may not be insurable, and an insurance payout may not cover the registration fee.

In the Chancellor’s assessment, the Road Traffic Act also needed to be declared partly unconstitutional because the procedure for administering the registration fee was not regulated in sufficient detail. She found that the law should regulate more specifically the assessment and collection of the registration fee and the amendment of assessment decisions.

By its judgment of 16 June 2026, the Supreme Court dismissed the Chancellor’s application. The Court found that the registration fee is a one-off public-law financial obligation and that the subsequent theft or destruction of a vehicle, or its being taken out of use for another similar reason, does not retroactively eliminate the fact that the vehicle was registered or the costs incurred by the Transport Administration in registering the motor vehicle in the motor register or recording a change of ownership. Nor does the subsequent theft or destruction of the vehicle alter the choice made at the time of registration or the environmental impact associated with the manufacture of the vehicle.

The Supreme Court noted that allowing people to apply for a refund of the registration fee would be comparable in substance to granting a tax concession. Such concessions are primarily a matter for the Riigikogu, and judicial review of them is limited. The Riigikogu may decide to refund the fee to a vehicle owner, but the absence of such an option does not constitute an unconstitutional legislative omission or restriction.

The Supreme Court agreed with the Chancellor that the procedure governing public-law financial obligations must comply with the principles laid down in § 14 of the Constitution, and that Chapter 12³ of the Road Traffic Act, which regulates the registration fee, does not contain all the procedural rules constitutionally required for administering a public-law financial obligation. The Court nevertheless found that procedural issues can be resolved by applying the provisions of the Administrative Procedure Act.

In summary, although the Supreme Court dismissed the Chancellor's application, several important issues were clarified. The Transport Administration had treated the determination of the fee as a procedural act. The Court held that a decision of the Transport Administration determining the amount of the registration fee has the characteristics of an administrative act within the meaning of § 51(1) of the Administrative Procedure Act. The Court noted that the procedural and formal requirements applicable to an administrative act, together with the possibilities for challenging it, provide the best protection of a person's fundamental rights in the circumstances.

Accordingly, when determining a motor vehicle registration fee, the Transport Administration must issue a written administrative act in which it gives reasons for its decision and provides information how to challenge the decision. The decision must therefore contain the mandatory elements and information required for an administrative act (§§ 55–57 of the Administrative Procedure Act). According to the Supreme Court's explanation, a person who considers that their motor vehicle registration fee has been calculated incorrectly or on the basis of incorrect data has the right to challenge the administrative act of the Transport Administration or request the reopening of the proceedings in order to have the amount changed.

As the Supreme Court found that an administrative act must be issued when determining the registration fee, it concluded that the provisions of the Administrative Procedure Act governing the amendment and repeal of administrative acts are also applicable. The Court agreed with the Chancellor that the law contains no provisions governing the recovery of the registration fee, but did not consider the absence of a legal basis for recovery to be unconstitutional. The absence of provisions governing recovery is primarily detrimental to the state if part of the registration fee remains unpaid, but it does not restrict the fundamental right to organisation and procedure (§ 14 of the Constitution).

Consequently, the state currently has no means of recovering an underpaid portion of the registration fee even where a person has succeeded in registering a vehicle using incorrect data or as a different type of vehicle subject to a lower rate in order to pay a lower registration fee (see, for example, the ERR article "Dozens of SUVs Registered as Motorhomes to Reduce Car Tax").

Tax Relief for Families with Children

By a legislative amendment adopted in November 2025, the Riigikogu introduced motor vehicle tax relief for families with children. Under the amendment, the motor vehicle tax liability of a parent or a guardian who is a natural person and has legal custody of a child is reduced by €100 for each child. To qualify for the reduction, the person must own at least one taxable motor vehicle or be an authorised user who is liable to pay motor vehicle tax under the Motor Vehicle Tax Act.

The Chancellor was asked why a child who owns a motor vehicle cannot receive the tax reduction. In one case, for example, the only motor vehicle used by the family had been inherited by the children. In another case, a child who owned a motor vehicle contacted the Chancellor. Since the Riigikogu's aim in introducing the tax reduction was to improve the financial situation of families with children, the reduction should also apply where the motor vehicle used by the family is owned by a child.

The Chancellor explained to the child that the concern was entirely justified and the issue needed to be resolved. The tax issue concerning children was referred to the Ministry of Finance and the Finance Committee of the Riigikogu. The Ministry undertook to prepare legislative amendments during 2026.

Under the law, motor vehicle tax is reduced only for a parent or guardian who has full legal custody of at least one child up to the age of 18 (inclusive) and who owns a category M or N vehicle or is its authorised user under a leasing agreement. The child-related tax reduction has been designed so that it can be applied automatically. For this purpose, data in the Population Register concerning legal custody of children are linked with data in the motor register. Some families, including blended families and foster families, may miss out on the tax reduction because the vehicle used by the family belongs to a person who does not have full legal custody of the child.

The Ministry of Finance is currently planning amendments to the provisions concerning the child-related tax reduction. One option under consideration has been to link the motor vehicle tax reduction to family allowances paid under the Family Benefits Act. According to information received from the Ministry of Finance, it is not possible to make extensive changes to the Social Insurance Board's older information systems to link their data with data in the motor register.

Tax Relief for Persons with Disabilities

Many countries that have introduced a motor vehicle tax provide tax exemptions for persons with disabilities. Estonia has no such exemption or tax relief. Naturally, each country chooses solutions suited to its own circumstances, so arrangements used elsewhere cannot simply be transferred unchanged to Estonia.

When adopting the Motor Vehicle Tax Act, the Riigikogu increased social benefits for persons with disabilities, although in some cases the increase was very small. The Act was also amended so that a category M1 vehicle with more than seven seats is taxed at the rate applicable to a category N1 vehicle, which is more favourable (§ 12(10) of the Motor Vehicle Tax Act).

According to the explanatory memorandum to the Bill amending the Motor Vehicle Tax Act and the Road Traffic Act (694 SE), the amendment supports both families with many children and persons with disabilities, as they often need to travel by minibus. A problem has arisen, however, with minibuses used to transport persons with disabilities: some vehicles have had seats removed to make room for a wheelchair. In such cases, the tax exception does not apply and the motor vehicle continues to be taxed under the rules applicable to category M1 vehicles rather than those for category N1 vehicles.

Both when determining motor vehicle tax and when providing exemptions or reductions, the state relies on data in the motor register and other registers. This makes the tax easier to administer and is not in itself contrary to the Constitution.

The current arrangements are nevertheless far from perfect, and the absence of tax relief may place persons with disabilities in a difficult situation. This was illustrated by a petition sent to a member of the Riigikogu and forwarded to the Chancellor. It emerged that the Tax and Customs Board had seized the bank accounts of a person with a severe disability because of unpaid motor vehicle tax. The seizure also covered funds that are exempt from enforcement by law, including social benefits paid into the person’s account for the adult children under their guardianship. The person had repeatedly contacted the Board and explained the situation.

The Tax and Customs Board undertook to improve its working arrangements in future in order to prevent such situations.

In her reply to the member of the Riigikogu, the Chancellor explained that the Taxation Act allows tax arrears to be forgiven in certain circumstances (§ 114(3)), but this is a highly exceptional measure. Where a person is legally required to pay a tax, the Tax and Customs Board cannot forgive the tax arrears merely because the situation appears unfair from the person's perspective.

Forgiveness of tax arrears requires the statutory conditions to be met. One such ground is that the tax arrears are uncollectible. Exceptionally, tax arrears may also be forgiven where their recovery would be unfair because of circumstances beyond the control of the taxable person — for example, because of force majeure, such as a natural disaster, fire or war that leaves the person without assets and insolvent, or because of state sanctions that have closed a market or similar circumstances. Forgiveness of tax arrears depends on a discretionary decision by the tax authority taking account of the circumstances of the particular case. It therefore cannot be regarded as a solution that will necessarily be available to persons with disabilities.

The Ministry of Finance and the Ministry of Social Affairs are considering measures to mitigate the impact of motor vehicle tax on persons with disabilities.

Registration of a Vehicle Brought to Estonia on Return

People who return to Estonia after living abroad — for example, after a long-term assignment abroad — and bring their vehicle with them must also pay the vehicle registration fee. In one case, a person who had been serving the Republic of Estonia on a long-term assignment abroad had purchased a vehicle in a foreign country and used it in the performance of their official duties. Understandably, the obligation to pay the registration fee may seem unfair in such circumstances.

Before returning to Estonia, however, people are in principle able to take account of the changed legal situation and decide whether or not to bring the vehicle to Estonia.

The law provides for exemption from the registration fee only in a limited number of clearly defined cases. Exemptions apply, for example, to emergency vehicles; at the request of the Ministry of Foreign Affairs, to vehicles belonging to foreign diplomatic representations and certain other entities; and, under international agreements, to vehicles belonging to armed forces participating in a common defence effort and to international military educational institutions (§ 190^{25} of the Road Traffic Act).

If a registration fee has been paid for a vehicle and the owner has received a refund after taking the vehicle abroad, the fee must be paid again when the vehicle is brought back to Estonia. The owner’s tax burden is therefore no greater than that of other vehicle owners. Nevertheless, this arrangement may not always be practical. In the case of a temporary long-term assignment abroad, consideration could be given to a system under which the registration fee is not refunded, so that it would not have to be paid again when the vehicle is re-registered in Estonia.

The Chancellor was also contacted by a person who had previously paid vehicle registration tax in Finland and was planning to return to live in Estonia. Finland applies a similar rule to Estonia: if more than ten years have passed since the vehicle was first registered, the registration tax is not refunded.

Every state has the right to impose taxes within its territory. In the case of taxes with a greater impact, states conclude agreements to avoid double taxation. In other cases, double taxation is avoided where possible through national legislation, although this is not always achievable. The Riigikogu may consider introducing exemptions to avoid double taxation, but the Constitution does not require it to do so.

Land Tax Act and Land Valuation Act

The Chancellor was asked to assess whether the Land Tax Act and the Land Valuation Act are compatible with the Constitution.

The Chancellor concluded that the Land Valuation Act and the Land Tax Act are not contrary to the Constitution. The Riigikogu has the right to impose taxes on property, but taxes must not be so high that a person is forced to give up property that is necessary and important to them, such as their home.

This is a sensitive issue in Estonia because many people have had to restore land that was neglected or misused during the occupation, incurring considerable expense. Particularly in remote areas, establishing a home and maintaining the value of the land requires great commitment, thrift and hard work. This should be taken into account when imposing land tax, and care should be taken to ensure that people are not forced to sell their home or the land under it because of land tax.

Although the mass valuation of land resulted in a significant increase in taxable values, the Riigikogu introduced a limit on land tax increases to mitigate its impact. Until the end of 2025, municipalities could generally not increase land tax by more than ten per cent a year. The constitutionality of a tax cannot be assessed solely on the basis of the percentage increase; it is also necessary to consider whether the amount of tax actually becomes unreasonably burdensome for the person concerned.

From 2026, rural municipalities and cities may decide on tax rates, the limit on land tax increases, the amount of the tax relief for land under the home, and additional tax incentives. Municipalities may reduce the tax burden on people with low incomes. The law also allows them to grant additional tax incentives to pensioners and to persons who have been assessed as having partial or no work ability.

Use of the Tax and Customs Board’s E-Services

The Chancellor was contacted by a person concerned that the Tax and Customs Board was restricting access to its e-services if the person had not opened an administrative act sent to them and had therefore not received the document sent by the Board.

The Chancellor explained that if the state wishes to make access to e-services conditional on the receipt of documents, this must be clearly provided for by law. Since the Taxation Act does not require a person to open or receive a document sent to them in order to use e-services, the Board has no legal basis for restricting access to its e-services.

The Tax and Customs Board agreed that such a restriction would require a legal basis laid down by law. The Board explained that it would propose to the Ministry of Finance that the law be amended. It also removed the disputed restriction from the e-services environment.

Fees

Parking Charge

The Chancellor was asked whether the City of Pärnu is entitled to refuse to refund a parking fee if a person does not use their parking entitlement for the whole period of validity of the parking permit.

The Chancellor found that there was no reason to consider the Pärnu City Council regulation on parking fees unconstitutional merely because it does not provide for at least a partial refund of the parking fee where the parking entitlement obtained with a parking permit remains wholly or partly unused. A person can choose whether to pay separately for each occasion of parking or purchase a long-term parking permit. When purchasing a parking permit, the person can also choose its period of validity: one, three, six or twelve months. There is no requirement to purchase a permit valid for a full year. If the person acquires a new vehicle, the regulation allows the parking entitlement to be transferred to the new vehicle.

A person purchases a parking permit voluntarily, and this entails the possibility that they may cease to use the parking entitlement until the permit expires. This possibility is known to the person in advance. If a person plans to sell their vehicle in the near future, they can choose a parking permit with a shorter period of validity. If the person sells the vehicle before the parking permit expires and does not acquire another vehicle whose details could be entered on the permit, they must take into account that part of the parking entitlement may remain unused.

Annual Fee for the Management of a Marketing Authorisation of a Veterinary Medicinal Product

The Chancellor was asked to assess the constitutionality of the annual fee for the management of a marketing authorisation of a veterinary medicinal product laid down in § 7(5) of Regulation No. 55 of the Minister of Health and Labour of 5 July 2022, “Conditions and Fees for Variations to Marketing Authorisations and Professional Assessment”.

The Chancellor found that the uniform annual fee of €1,395 is disproportionately high and does not allow account to be taken of the actual situation on the veterinary medicinal products market. The annual fee is often higher than the medicinal product’s annual sales turnover and must also be paid for marketing authorisations for veterinary medicinal products that are needed in Estonia only in very small quantities or for which there may be no need at all in a particular year.

Adding the annual fee to the price of a medicinal product with a low sales turnover may increase its price by more than four times. The high annual fee imposed by the Minister therefore infringes the property rights of marketing authorisation holders (§ 32 of the

Constitution) and their freedom of enterprise (§ 31 of the Constitution), and may leave animals without necessary treatment. Although the purpose of imposing the fee is legitimate, the annual fee as set is neither necessary nor proportionate (§ 11 of the Constitution).

The activities of the State Agency of Medicines in managing marketing authorisations for veterinary medicinal products could also be financed in a way that places a smaller burden on businesses, for example by applying a turnover-based fee or exemptions for medicinal products with a low sales turnover. A uniform annual fee jeopardises the availability of necessary veterinary medicinal products and access to treatment for animals.

The Chancellor proposed that the Minister's regulation be brought into conformity with the Constitution.

The Minister agreed with the Chancellor's proposal and stated that the rules governing the annual fee for marketing authorisations for veterinary medicinal products would be reviewed. The amendment has not yet been made, but a Bill is planned to introduce a more proportionate and differentiated system of fees.

Social Infrastructure Fee

The construction of new residential and commercial premises may create a need to build roads, utility networks, kindergartens, schools and other structures intended for public use. It is understandable that cities and rural municipalities wish developers to bear at least part of the costs arising from such development. This can, however, be done only in the manner provided for by law.

Under the Constitution, a public-law financial obligation must have a legal basis in an Act. At present, there is no such legal basis allowing local authorities to impose a general social infrastructure fee. Nevertheless, some rural municipalities and cities have in substance introduced a development tax.

The Chancellor analysed the regulations of the cities of Tallinn, Loksa and Keila, and the rural municipalities of Viimsi and Jõelähtme, and proposed that all of these local authorities bring their regulations into conformity with the Constitution. The main shortcoming of the regulations was that they went beyond what is permitted by law. Their scope had also been extended to buildings, and they had in substance introduced a tax payable by every developer. In this way, a local authority restricts the right to property and freedom of

enterprise without a clear legal basis.

The Chancellor sent a memorandum to Kiili Rural Municipality concerning the fact that the municipality relies, when requiring developers to pay a social infrastructure fee, on a decision that had previously been annulled by a court. (For more information, see the chapter “Construction and Planning”: Obligations of Developers.)

Changes to the Activities of Savings and Loan Associations

The Chancellor was asked to assess whether the Act amending the Savings and Loan Associations Act and other Acts, adopted by the Riigikogu on 21 January 2026, is constitutional. Under the Act, savings and loan associations may not enter into new deposit agreements as of 1 July 2026. After the end of the transitional period, deposits may be taken only if the savings and loan association holds an authorisation to operate as a credit institution.

In her opinion, the Chancellor noted that the Riigikogu is entitled to change existing rules in the public interest and in order to protect the rights of others or important public interests. The legislative amendments have a significant impact on the activities of savings and loan associations: they bring the existing form of operation of savings and loan associations to an end and may also lead to the closure of many associations currently operating if they are unable or unwilling to bring their activities into compliance with the new requirements.

Nevertheless, there are no grounds, within the framework of abstract constitutional review, for concluding that the legislative amendments are contrary to the Constitution. The purpose of the amendments is constitutionally legitimate: they protect the interests of depositors and place undertakings providing similar financial services on an equal footing. The measures chosen to achieve that aim fall within the Riigikogu’s constitutionally permitted margin of discretion and cannot be regarded as arbitrary.

If the taking of deposits by a savings and loan association increasingly resembles a banking service, while the supervision and guarantees required in banking are not provided, it cannot be considered excessive to require associations in future to take deposits only as a bank or an association bank and to obtain an authorisation to operate as a credit institution for that purpose.

By prohibiting savings and loan associations from entering into new deposit agreements, the Riigikogu limits, during the transitional period, the acceptance of new deposits by savings and loan associations, because those persons’ deposits are not yet protected in the same way as deposits held with a bank.

The Constitution does not preclude the Riigikogu from restricting or prohibiting an activity that was previously permitted.