



JURISDICTIONAL PROFILE: **Estonia**

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This Profile provides information about the application of IFRS® Accounting Standards (Standards) in Estonia. The Standards are developed and issued in the public interest by the International Accounting Standards Board (IASB). The IASB is the standard-setting body of the IFRS Foundation (Foundation), an independent, private sector, not-for-profit organisation.

The Foundation has prepared this Profile based on information from various sources. The starting point was the answers provided by standard-setting and other bodies in response to surveys the Foundation conducted on the application of the Standards around the world. The Foundation drafted the profile and invited the respondents to the survey. The Foundation also invited others (including regulators and international audit firms) to review the drafts. Their comments are reflected in this Profile.

The purpose of the Foundation's Jurisdictional Profiles is to illustrate only the extent of implementation of the Standards across the globe. The Profiles do not reflect the intellectual property licensing status of the Standards within any given jurisdiction. The Standards are protected by copyright and are subject to licensing arrangements agreed upon within their jurisdiction. For further information, please contact permissions@ifrs.org.

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RELEVANT JURISDICTIONAL AUTHORITY

Organisation	The Estonian Accounting Standards Board (EASB).
Role of the organisation	<p>The EASB was created by the Estonian Government under the Accounting Act of 2002 (as amended). The EASB's function is to issue accounting guidelines explaining and specifying the Act. The EASB is an independent committee whose rules of procedure must be approved by the Government on the proposal of the Minister of Finance. Members of the EASB are appointed by the Government on recommendation of the Minister of Finance. The EASB support staff are provided by the Ministry of Finance.</p> <p>Guidelines issued by the EASB are known as Estonian Accounting Standards or Estonian GAAP. The Minister of Finance has the right to issue mandatory precepts to the Standards Board but otherwise "shall not interfere with the content of the guidelines issued by the Standards Board or with the process of preparation thereof".</p>

Website Ministry of Finance: <https://www.rahandusministeerium.ee/et>
 EASB: <https://www.rahandusministeerium.ee/et/easb>

Email contact easb@fin.ee

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?

Yes.

Refer to IAS Regulation adopted by the European Union in 2002.

Has the jurisdiction made a public commitment towards IFRS Accounting Standards as that single set of high quality global accounting standards?

Yes.

Refer to IAS Regulation adopted by the European Union in 2002.

What is the jurisdiction's status of adoption?

Estonia has already adopted IFRS Standards for the consolidated financial statements of all companies whose securities trade in a regulated market.

Additional comments provided on the adoption status?

As a member state of the European Union, Estonia is subject to EU 1606/2002 Regulation on the application of international accounting standards (IAS).

The EU IAS Regulation requires application of IFRS Standards as adopted by the EU for the consolidated financial statements of European companies whose securities trade in a regulated securities market starting in 2005. The EU IAS Regulation gives member states the option to require or permit IFRS Standards as adopted by the EU in separate company financial statements (statutory accounts) and/or in the financial statements of companies whose securities do not trade on a regulated securities market. See the Profile for the European Union for more detailed information about the EU IAS Regulation.

There is one regulated market in Estonia -- NASDAQ OMX Tallinn.

Estonia used the option under the IAS Regulation as follows:

Companies whose securities trade in a regulated market

- Require IFRS Standards as adopted by the EU in the separate financial statements as well as the consolidated financial statements of all companies whose securities trade in a regulated market.

Companies whose securities do not trade in a regulated market

- Require IFRS Standards as adopted by the EU in both the consolidated financial statements and the separate financial statements of the following types of companies whose securities do not trade in a regulated market: — Credit institutions. — Insurance undertakings. — Financial holding companies. — Mixed financial holding companies. — Investment firms.
- Permit IFRS Standards as adopted by the EU in both the consolidated financial statements and the separate financial statements of all other companies whose securities do not trade in a regulated market.

In fact, IFRS Standards were required in Estonia even before the EU IAS Regulation – starting in 1998 for all listed companies and in 2003 for all financial institutions.

If the jurisdiction has NOT made a public statement supporting the move towards a

Not applicable.

single set of accounting standards and/or towards IFRS Accounting Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Accounting Standards in the jurisdiction.

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Accounting Standards in their consolidated financial statements?

Yes.

If YES, are IFRS Accounting Standards REQUIRED or PERMITTED?

In accordance with the EU IAS Regulation, IFRS as adopted by the EU are required for the consolidated financial statements of all European companies whose debt or equity securities trade in a regulated market in Estonia.

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

Are IFRS Accounting Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?

Yes.

For instance, are IFRS Accounting Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?

Required.

For instance, are IFRS Accounting Standards required or permitted for companies whose securities do not trade in a public market?

IFRS Standards as adopted by the EU are required for some companies whose securities do not trade in a regulated market and permitted for other companies. Details can be found in the "Relevant Jurisdictional Authority" section of this profile. All other companies whose securities do not trade in a regulated market are permitted to use IFRS Standards as adopted by the EU or Estonian GAAP.

If the jurisdiction currently does NOT require or permit the use of IFRS Accounting Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Accounting Standards for such companies in the future?

Not applicable.

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Accounting Standards in their consolidated financial statements?

Yes.

If YES, are IFRS Accounting Standards REQUIRED or PERMITTED in such cases?

Required for some and permitted for others. Foreign companies whose securities trade in a regulated market in Estonia (and generally in the EU) are required to report under IFRS Standards as adopted by the EU for their consolidated financial statements unless the European Commission has deemed their local accounting standards to be equivalent to IFRS Standards, in which case they may use their local standards.

This is laid out on the 'Financial Reporting' page of the European Commission's website.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

IFRS ENDORSEMENT

Which IFRS Accounting Standards are required or permitted for domestic companies?

IFRS Standards as adopted by the European Union, which are IFRS Standards as issued by the Board with some limited modifications such as the temporary 'carve-out' from IAS 39. However, the resulting financial statements of the majority of companies can still be in full compliance with IFRS Standards.

The auditor's report and/or the basis of presentation footnote states that financial statements have been prepared in conformity with:

IFRS Standards as adopted by the European Union.

Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Accounting Standards and the jurisdiction's GAAP)?

No.

Are IFRS Accounting Standards incorporated into law or regulations?

Yes.

If yes, how does that process work?

The process is described in the IFRS jurisdiction profile of the European Union.

If no, how do IFRS Accounting Standards become a requirement in the jurisdiction?

Not applicable.

Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Accounting Standards (including Interpretations) in place?

Yes.

If yes, what is the process?

The process is described in the IFRS jurisdiction profile of the European Union.

If no, how do new or amended IFRS Accounting Standards become a requirement in the jurisdiction?

Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Accounting Standards and/or made any modifications to any IFRS Accounting Standards?

Yes.

If yes, what are the changes?

Details are described in the IFRS jurisdiction profile of the European Union.

Other comments regarding the use of IFRS Accounting Standards in the jurisdiction? None.

TRANSLATION OF IFRS ACCOUNTING STANDARDS

Are IFRS Accounting Standards translated into the local language?

Yes.

The European Union has 24 official and working languages. They are: Bulgarian, Croatian, Czech, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Hungarian, Irish, Italian, Latvian, Lithuanian, Maltese, Polish, Portuguese, Romanian, Slovak, Slovene, Spanish and Swedish. Before they are published in the *Official Journal of the European Union*, and therefore become binding under EU law, individual IFRS Standards must be translated into all of those languages (other than English and Irish).

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Accounting Standards?

Pursuant to a copyright waiver agreement with the Directorate-General for Translation of the European Commission, the Commission takes care of the translation into the official languages according to their own translation process. The translation only covers the standards and mandatory guidance, which is then published in the *Official Journal of the European Union*.

In addition, some countries (usually the standard setter or institute) have a translation contract with the IFRS Foundation to produce an 'official translation' for publication of a bound volume of IFRS Standards (usually the 'Red Book') and publication, in some cases, of individual standards and exposure drafts.

APPLICATION OF THE IFRS FOR SMEs ACCOUNTING STANDARD

Has the jurisdiction adopted the *IFRS for SMEs* Accounting Standard for at least some SMEs?

No. However, the new version of Estonian GAAP that is effective from 1 January 2013 is based on the *IFRS for SMEs* Standard (the previous version of Estonian GAAP that was effective until 31 December 2012 was based on 'full IFRS Standards'). The recognition and measurement principles in the new Estonian GAAP are based mostly on the *IFRS for SMEs* Standard, with a few additional alternatives allowed, but there are some differences in disclosure (see details below).

If no, is the adoption of the *IFRS for SMEs* Accounting Standard under consideration?

No. The Estonian Accounting Standards Board indicates that it is not considering the *IFRS for SMEs* Standard at this time "because it has not been accepted by the European Union. Estonia would consider adoption of the *IFRS for SMEs* Standard, if that would be acceptable under EU regulation".

Did the jurisdiction make any modifications to the *IFRS for SMEs* Accounting Standard?

As explained above, the new version of Estonian GAAP that is effective from 1 January 2013 is broadly based on the *IFRS for SMEs* Standard, with some modifications.

If the jurisdiction has made any modifications, what are those modifications?

The main differences between new Estonian GAAP (2013) and the *IFRS for SMEs* Standard are:

- Estonian GAAP includes a policy choice for development costs (either *IFRS for SMEs* Standard treatment of 'full IFRS treatment');
- Estonian GAAP includes a policy choice for government grants (either *IFRS for SMEs* Standard treatment of 'full IFRS treatment'); and
- Estonian GAAP includes certain differences in disclosure requirements.

Which SMEs use the *IFRS for SMEs* Accounting Standard in the jurisdiction, and are they required or permitted to do so?

Not applicable.

For those SMEs that are not required to use the *IFRS for SMEs* Accounting Standard, what other accounting framework do they use?

Most SMEs are permitted to choose between IFRS as adopted by the EU and Estonian GAAP. However, the following types of companies must use IFRS as adopted by the EU even if their securities do not trade in a regulated market:

- Credit institutions.
- Insurance undertakings.
- Financial holding companies.
- Mixed financial holding companies.
- Investment firms.

Other comments regarding use of the *IFRS for SMEs* Accounting Standard?

None.