

## Dividend pay-out in 2019

According to the amendment to the Income Tax Act, effective since 1 January 2018, at a company level, an income tax rate of 14% (14/86 of the net amount) shall be charged on the share of dividends, which is smaller than or equal to the previous three calendar years average of the Company's profit distributions taxed in Estonia. An income tax rate of 20% (20/80 of the net amount) shall be charged on the remainder of the dividend pay-out. Pursuant to the law, a lower tax rate shall be applied in 2019 to 1/3 of the profits distributed in 2018, on which a resident company has paid income tax.

Consequently, a lower income tax rate (14%) is applicable to 14.56% of the dividend pay-out and an income tax rate of 20% is applicable to 85.44% of the dividend pay-out.

According to the clauses 41 (7<sup>2</sup>) and 43 (1) (1<sup>1</sup>) of the Income Tax Act, the Company is required to withhold 7% of income tax on the dividends paid to natural persons provided that such dividend has been taxed with a tax rate of 14%. This also applies to a shareholder who is a natural person and keeps the shares on an investment account.

The shareholders who are natural persons shall receive the dividend as a net amount, from which the income tax has already been withheld in full.

Below we explain the amount of the receivable dividends in more detail.

<u>Dividends paid out in 2018:</u>	Dividend per share	Number of shares	Amount of dividends
A-share (EUR)	0.36	20,000,000	7,200,000.00
B-share (EUR)	600	1	600.00
Total (EUR)			7,200,600.00

<u>Dividend pay-out in 2019:</u>	Dividend per share	Number of shares	Amount of dividends
A-share (EUR)	0.75	20,000,000	15,000,000.00
B-share (EUR)	600	1	600.00
Total (EUR)			15,000,600.00

Amount of dividends paid out using tax exemption in 2018 (EUR)	650,000.00
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*Dividends received from subsidiary Watercom OÜ in 2018 and subsequently paid out in 2018.  
 Income Tax Act clause 50 (1<sup>1</sup>) (1).*

Taxed dividends paid out in 2018 (EUR)	$(7,200,600 - 650,000)$	6,550,600.00
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Share of dividends taxed with lower income tax rate (EUR)	$(6,550,600.00 * 1/3)$	2,183,533.33
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Proportion of dividends taxed with lower income tax rate	$(2,183,533.33 / 15,000,600)$	14.56%
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**Dividend pay-out in 2019:**

**A-share**

Dividend per share charged with the lower income tax rate	0.1091723
Dividend per share charged with the regular income tax rate	0.6408277
Total dividend per A-share	0.75

Income tax rate applicable to dividends charged with lower income tax rate and paid to natural person	7.00%
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**A natural person:**

Dividend per share charged with the lower income tax rate	0.1015302
Dividend per share charged with the regular income tax rate	0.6408277
Total dividend pay-out per share	<b>0.7423579</b>

**A legal person:**

Dividend per share charged with the lower income tax rate	0.1091723
Dividend per share charged with the regular income tax rate	0.6408277
Total dividend pay-out per share	<b>0.75</b>

**B-share (1 shareholder with legal personality)**

Dividend per share charged with the lower income tax rate	87.33784
Dividend per share charged with the regular income tax rate	512.66216
Total dividend pay-out per share	<b>600.00</b>

***Example: a shareholder has 1,000 A-shares:***

**A natural person:**

Dividend per share charged with the lower income tax rate	101.5302
Dividend per share charged with the regular income tax rate	640.8277
Total dividend pay-out	<b>742.3579</b>
* The amount of dividends will be rounded down to the nearest cent at pay-out	<b>742.36</b>

*Amount of dividends*

**A legal person:**

Dividend per share charged with the lower income tax rate	109.1723
Dividend per share charged with the regular income tax rate	640.8277
Total dividend pay-out	<b>750.00</b>

*Amount of dividends*