

***Clarifications by the Estonian Accounting Standards Board
on the recording of the salary remuneration
paid by the Estonian Unemployment Insurance Fund***

On 12 of March 2020, the Estonian Government declared an emergency situation to prevent the spread of the COVID-19 virus. In this emergency situation, the daily economic activities of many employers have been disrupted, turnover and income of companies have fallen sharply, and it has become more difficult to secure employment and pay salaries to employees. To ensure the highest possible employment of the working age population, on 20 March 2020, Government Regulation No. 130 of 17 November 2016, the “Employment Program 2017–2020” (hereinafter EP), was amended, and salary remuneration was introduced as a new labour market service.

Salary remuneration can be used by employers for two months, for the period from March to May 2020. A month’s remuneration, up to 1000 euros gross per month, is paid to an employee whose workload or salary has been reduced. Generally, 70 per cent of the employee's gross salary is paid by the fund, plus a gross salary of at least 150 euros paid by the employer to the employee. The remuneration can be applied for from the Estonian Unemployment Insurance Fund.

Pursuant to § 191 (5) of the EP, the benefit is treated as a salary paid by the employer, which the Estonian Unemployment Insurance Fund pays to the employee on the employer’s behalf. The employer retains the right to demand that the employee continues to work and retains the obligation to pay the employee. The employer's labour costs will not decrease, but will be partially covered by the state. In addition, the employer must keep personal records of the remuneration paid to its employees, as the benefit received affects the amount of holiday pay and the final settlement upon the termination of the contract of employment.

§ 191 (9) of the EP also provides for an obligation for the employer to repay the remuneration in full if the employer dismisses the employee for whom the remuneration was applied for. The prohibition applies to the month for which the remuneration was claimed and to the following month.

Considering the above, in the opinion of the Estonian Accounting Standards Board, the remuneration paid by the Estonian Unemployment Insurance Fund (gross salary + employer's taxes paid by the Unemployment Insurance Fund) must be treated as a government grant and recorded in accordance with clauses 9-11 of the ABSG 12 guidelines.