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Simplified Business Income Taxation Act

Passed 19.06.2017

§ 1. Object of taxation

(1) A natural person may open a business account on the amounts received on which tax is paid on the basis of this Act (hereinafter *business income tax*).

(2) A business account is an account opened in the name of a natural person in a credit institution resident of the Contracting State to the EEA Agreement in the permanent establishment of the credit institution located in the Contracting State (hereinafter *credit institution*), onto which the amounts specified in subsection (3) of this section shall be transferred, concerning which the account holder has instructed the credit institution to reserve the amount on the account corresponding to the business income tax rate for the benefit of the Tax and Customs Board and to transfer it to the Tax and Customs Board.

(3) Only the amounts received from the provision of services and sale of goods in euros are transferred to the business account.

§ 2. Payer of tax

(1) The payer of business income tax (hereinafter *taxpayer*) is a natural person who has a business account.

(2) The taxpayer may not be a person liable to value added tax or act as a sole proprietor in the same or similar area of activity.

§ 3. Period of taxation

The period of taxation of business income tax is a calendar month.

§ 4. Rate of tax

The rate of business income tax is:

1) 20 percent of the amount received on the business account if the amount does not exceed 25 000 euros in a calendar year;

2) 40 percent of the amount received on the business account exceeding 25 000 euros in a calendar year.

§ 5. Entry into and termination of business account opening contract

(1) The taxpayer shall enter into the business account opening contract before the receipt of the first amount specified in 1 (3) of this Act.

(2) The taxpayer may close the business account and terminate the underlying contract thereof pursuant to the procedure provided in the Law of Obligations Act. The underlying contract of the business account shall terminate also in the case the taxpayer withdraws the instruction specified in subsection 1 (2) of this Act.

(3) A credit institution shall immediately submit electronically to the Tax and Customs Board the data about the natural person who has entered into the business account opening contract, has terminated the contract or withdrawn the instruction specified in subsection 1 (2) of this Act.

§ 6. Payment of business income tax

(1) For calculation of the amount of tax obligation a credit institution shall immediately submit electronically to the Tax and Customs Board the data about each taxpayer and each amount received on his or her business account. The Tax and Customs Board shall calculate the amount of the business income tax and forward it immediately electronically to the credit institution.

(2) On the basis of information received the credit institution shall reserve the amount corresponding to the tax liability on the business account of the taxpayer.

(3) The credit institution shall transfer the business income tax reserved in the period of taxation pursuant to subsection (2) of this section to the account of the Tax and Customs Board by the tenth date of the calendar month following the period of taxation.

(4) Upon termination of the underlying contract of the business account or withdrawal of the instruction specified in subsection 1 (2) of this Act the credit institution shall transfer the business income tax reserved until the termination of the underlying contract of the business account to the account of the Tax and Customs Board pursuant to subsection (3) of this section.

§ 7. Registration of taxpayer in employment register

Upon entry into the business account opening contract the Tax and Customs Board shall enter the data of the taxpayer, received from the credit institution pursuant to subsection 5 (3) of this Act, to the employment register, provided in Chapter 1 Subchapter 3¹ of the Taxation Act, and deletes these upon termination of the underlying contract of the business account.

§ 8. Receipt of business income tax

(1) The business income tax is received pursuant to the provisions of § 5 of the Income Tax Act, subsections 10 (1)–(3) and (4) of the Social Tax Act and § 12 of the Funded Pensions Act and the division provided in subsection (2) or (3) of this section.

(2) If the taxpayer is an obligated person for the purposes of § 6 of the Funded Pensions Act the business income tax shall be divided as follows:

- 1) the rate of the income tax part is 20/55 of the rate of the business income tax;
- 2) the rate of the social tax part is 33/55 of the rate of the business income tax;
- 3) the rate of the statutory funded pension tax is 2/55 of the rate of the business income tax.

(3) If the taxpayer is not an obligated person for the purposes of § 6 of the Funded Pensions Act, the business income tax is divided as follows:

- 1) the rate of the income tax part is 20/53 of the rate of business income tax;
- 2) the rate of the social tax part is 33/53 of the rate of the business income tax.

(4) Upon calculation of the part of the local government income tax of the taxpayer provided in clause 5 (1) 1) of the Income Tax Act, the amount received on the business account is deemed to be the taxable income of the natural person, from which the part of the social tax of the business income tax is deducted.

(5) The Tax and Customs Board shall forward the data contained in the register of taxable persons to the registrar of the pensions register, the Estonian Health Insurance Fund and the Estonian National Social Insurance Board pursuant to the provisions of § 11 of the Social Tax Act and § 12 of the Funded Pensions Act.

§ 9. Payment of benefits for social protection from business income tax and bases for calculation of amounts of benefits

(1) The part of the social tax of the tax paid on the basis of this Act is also deemed to be the social tax for the purposes of the Family Benefits Act, the State Pension Insurance Act and the Health Insurance Act.

(2) The State Pension Insurance Act and the Family Benefits Act are also applied to the grant and payment of pension and family benefits, taking account of the specifications of this Act.

§ 10. - § 19. Omitted from this translation.

§ 20. Entry into force of Act

This Act shall enter into force on 1 January 2018.

Eiki Nestor
President of the Riigikogu