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Simplified Business Income Taxation Act

Passed 19.06.2017

Amended by the following acts

Passed	Published	Entry into force
22.02.2023	RT I, 11.03.2023, 9	01.04.2023
04.12.2024	RT I, 19.12.2024, 1	01.01.2025

§ 1. Object of taxation

(1) A natural person may open a business account on the amount 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 the credit institution resident of the Contracting State of the EEA Agreement or in the permanent business establishment of the credit institution located in the Contracting State (hereinafter *credit institution*), onto which the amounts specified in subsection 3 of this section are 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 amount received from the provision of service and sale of goods in euros is transferred to the business account.

§ 2. Payer of tax

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

(2) A taxpayer may not be a person liable to value added tax nor act as a self-employed person in the same or similar area of activity.

§ 3. Tax period

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

§ 4. Tax rate

(1) The rate of business income tax is 20 per cent of the amount received on the business account.

(2) In case the taxpayer is an obligated person for the purposes of § 6 of the Funded Pensions Act, the tax rate specified in subsection 1 of this section increases by the rate specified in § 9 of the Funded Pensions Act. [RT I, 19.12.2024, 1 – entry into force 01.01.2025]

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

(1) A taxpayer enters into the contract for opening a business account before the receipt of the first amount specified in subsection 3 of § 1 of this Act.

(2) A taxpayer may close the business account and terminate the contract underlying thereof in accordance with the procedure provided in the Law of Obligations Act. The underlying contract of the business account terminates also in the case the taxpayer withdraws the instruction specified in subsection 2 of § 1 of this Act.

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about the natural person who has entered into the contract for opening business account, has terminated the contract or withdrawn the instruction specified in subsection 2 of § 1 of this Act.

§ 6. Payment of business income tax

(1) For calculation of the amount of tax liability a credit institution immediately submits electronically to the Tax and Customs Board the data about each taxpayer and each amount received on their business account. The Tax and Customs Board calculates the amount of the business income tax and immediately transmits it electronically to the credit institution.

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

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

(4) Upon termination of the underlying contract of the business account or withdrawal of the instruction specified in subsection 2 of § 1 of this Act the credit institution transfers 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 in accordance with subsection 3 of this section.

§ 7. Registration of taxpayer in employment register

[Repealed - RT I, 19.12.2024, 1 – entry into force 01.01.2025]

§ 7¹. Corporate income tax database

(1) The business income tax database is a sub-register of the register of taxable persons established in accordance with subsection 1 of § 17 of the Taxation Act, the procedure for the keeping of which is provided in the statute of the register of taxable persons.

(2) The purpose of the business income tax database is to process the data of a natural person specified in subsection 3 of § 5 of this Act and of the business account of the natural person and the amounts specified in subsections 1, 3 and 4 of § 6 of this Act, which are necessary for the administration of the business income tax.

(3) The following is entered in the business income tax database:

- 1) data on the business account and the holder thereof;
- 2) data on the amounts received in the business account;
- 3) data on the business income tax calculated and received.

(4) The data in the business income tax database are kept for a period of up to seven calendar years.
[RT I, 19.12.2024, 1 - entry into force 01.01.2025]

§ 8. Receipt of business income tax

(1) The business income tax is received in accordance with the provisions of § 5 of the Income Tax Act, subsections 1–3 and 4 of § 10 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) The business income tax component specified in subsection 1 of § 4 of this Act is divided as follows:

- 1) the income tax part is 22/55 of the business income tax;
- 2) the social tax part is 33/55 of the business income tax.

[RT I, 19.12.2024, 1 – entry into force 01.01.2025]

(3) The funded pension contribution part is part of the business income tax specified in subsection 2 of § 4 of this Act.

[RT I, 19.12.2024, 1 – entry into force. 01.01.2025]

(4) Upon calculation of the part of the municipal income tax of the taxpayer provided in clause 1 of subsection 1 of § 5 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 transmits the data contained in the register of taxable persons to the registrar of the pensions register, the Estonian Health Insurance Fund and the Estonian Social Insurance Board in accordance with the provisions of § 11 of the Social Tax Act and § 12 of the Funded Pensions Act.

[RT I, 11.03.2023, 9 – entry into force 01.04.2023]

§ 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 parental benefit, taking account of the special rules of this Act.

§ 10.–§ 19.[Omitted from this text.]

§ 20. Entry into force of Act

This Act enters into force on 1 January 2018.