

# Social tax

## PRINCIPLES

- ✓ Sole proprietors pay social tax on their business income after deductions relating to enterprise and permitted in the Income Tax Act have been made, taking into consideration the minimum and maximum rates established in the Social Tax Act;
- ✓ sole proprietor's taxable period for social tax is one calendar year, as the taxable income is determined once a year on the basis of an income tax return;
- ✓ the rate of social tax is 33 per cent;
- ✓ the social tax is deducted from the business income on the accrual basis, dividing the business income by the number of 1.33 after deducting the expenses;
- ✓ sole proprietors are requested to pay advance payments of social tax during the year;
- ✓ sole proprietors cannot indicate neither social tax nor advance payments of social tax in their expenses related to business.

## DECLARATION, CALCULATION AND PAYMENT OF SOCIAL TAX

Social tax is calculated on the basis of business income received during the taxable period. Business income is declared on an income tax return once a year (Form E), which must be submitted to the Tax and Customs Board together with the income tax return of a natural person (Form A) not later than by **30 April** of the year following the period of taxation.

The Tax and Customs Board calculates an annual final social tax obligation on the basis of the data indicated on Form E. Table 4 is added to Form E of the income tax return wherein a sole proprietor can indicate the periods, pursuant to sick leave certificates, when he/she was on sick leave during the year. The periods when the sole proprietor is on sick leave are taken into account on calculating the annual final social tax obligation. A tax notice is issued by the Tax and Customs Board on the additional amount of social tax due to a sole proprietor at least thirty days prior to the due date for payment of the tax (1 October). The annual calculation of social tax and the additional amount to be paid can also be viewed on the information sheet of the electronically filed income tax return. If no additional payment of social tax is required, the Tax and Customs Board will not issue a tax notice. The sole proprietor has to pay the amount of social tax indicated in the tax notice into the bank account of the Tax and Customs Board not later than by **1 October**. If, during the year, the sole proprietor has paid more social tax as advance payments than the actual social tax obligation in a year, the sole proprietor will be refunded the overpaid amount of social tax.

## Further information

Social Tax Act