

When advance payments need not be paid

SOLE PROPRIETORS NEED NOT MAKE ADVANCE PAYMENTS OF SOCIAL TAX, IF:

1. they are receiving a state pension, are persons with partial or no work ability or students within the meaning of subsection 5 (4) of the Health Insurance Act (persons acquiring basic education, general secondary education, formal vocational education and students who are permanent residents of Estonia, except for doctoral candidates receiving the doctoral allowance);

2. **they start or terminate their activities during a quarter**

If a sole proprietor starts or terminates business during the quarter, they are required to make advance payments for these days when they are registered as a sole proprietor.

If the requirements for exemption from advance payment mentioned in clauses 1 and 2 have been met not throughout the whole quarter, but during certain periods of the quarter, the proportional calculation is applied.

If a person has tax liability for only some days in the quarter, then:

- the number of days is determined for which the tax liability arose (all the days not covered with tax exemption are added together);
- the actual number of days in the said quarter is determined;
- the payment is calculated on a day-basis: the quarterly payment is divided by the number of the days in the quarter and multiplied by the number of the days of the tax liability.

Example

The tax liability arose for 50 days and there are 91 days in the said quarter - the tax liability is calculated as follows: $578.16 : 91 \times 50 = 317.67$ euros

3. **social tax for the person is paid by the employer or the state or the local government**

If social tax for a sole proprietor is paid by the employer or in accordance with § 6 of the Social Tax Act by the state, city or rural municipality, and if in 2021 the amount is not less than 578.16 euros per quarter, the sole proprietor need not make advance payments of social tax.

If the employer, state, city or rural municipality pays social tax for the sole proprietor less than 578.16 euros, the sole proprietor himself/herself must pay the missing part. The social tax paid is calculated in total from the beginning of the calendar year. If the amount of social tax paid by the employer or state exceeds the quarterly advance payment obligation of the said quarter, the social tax by the employer/state which was not used in this quarter will be carried over to the following quarters for reduction of payment obligation, **but not retrospectively for reduction of previous quarterly tax obligations.**

Example A sole proprietor's tax obligation for the second quarter is 200 euros. The amounts of social tax paid by the employer/state for March, April and May in 2021 are being verified. Let us assume that the total amount of social tax paid is 350 euros, then the sole proprietor's final advance payment obligation for the second quarter is 0 and the unused balance is $350 - 200 = 150$ euros. This unused balance may be used for covering the following quarters.

The sole proprietor's tax obligation for the third quarter is 300 euros. The amounts of social tax paid by the employer/state for June, July and August in 2021 are being verified. Let us assume that the amount of social tax paid is 50 euros, then the sole proprietor's final advance payment obligation is $300 - 150$ (previous quarterly balance) $- 50$ (paid in the third quarter) = 100 euros.

When calculating the amount of advance payment of social tax, you can get help in the service bureaus of the Tax and Customs Board or in the e-MTA.