

Taking into account social tax paid by employer

TAKING INTO ACCOUNT SOCIAL TAX PAID BY THE EMPLOYER AS A REDUCTION OF SOCIAL PROPRIETOR'S ADVANCE PAYMENTS

If social tax for a sole proprietor is also paid by the employer or, pursuant to **section 6 of the Social Tax Act**, by the state, city or rural municipality, the amount of advance payments made by the sole proprietor may be less than the amount of tax calculated on the basis of triple the monthly rate of social tax, if the total amount of social tax payable for them by the employer or, pursuant to section 6 of the Social Tax Act, by the state, city or rural municipality and social tax payable by them as advance payments during the taxable period is equal to the amount of tax calculated on triple the monthly rate of social tax. **Social tax paid by the employer or, pursuant to section 6 of the Social Tax Act, by the state, city of rural municipality, shall be calculated in total from the beginning of the calendar year.**

Social tax declared on forms TSD or ESD of tax returns by the employer or, pursuant to **section 6 of the Social Tax Act** by the state, local government or artistic association reducing the social proprietor's advance payments obligation shall be calculated **in total from the beginning of the calendar year (subsection 9 (4) of the Social Tax Act).**

The amount of the advance payments obligation of the quarterly social tax (full amount or proportionally calculated) is reduced by the amount of social tax declared on forms TSD or ESD of tax returns. The data of forms TSD or ESD of tax returns are taken into account with a periodic shift in relation to the quarter (-1 month) (i.e. as at 15.03.2021, in the calculation of the first quarter payment, the forms TSD or ESD for December 2020 and for January and February 2021 are taken into account.). If the amount of social tax on forms TSD or EDS for the period concerned exceeds the advance payments obligation of the quarter concerned, the social tax payable by the employer or state that was not used in this quarter will be carried over to the following quarter(s) for reduction of the payment obligation, **but not retrospectively for reduction of previous quarterly tax obligations.** The advance payment obligation arising in the quarters preceding the month in which the employment income was earned is not recalculated on an ongoing basis. Excess payments arising from the advance payment obligation in previous quarters are generally refunded based on the 2021 natural person income tax return.

EXAMPLES

- ✓ Tax liability for the first quarter is 578.16 euros. The amounts of social tax on forms TSD/ESD for December 2020 and January and February 2021 are being verified. Let us assume that the total amount of social tax payable by the employer is 100 euros, then the sole proprietor's final payment for the first quarter is $578.16 - 100 = 478.16$ euros.
- ✓ Tax liability for the second quarter is 578.16 euros. The amounts of social tax on forms TSD/ESD for March, April and May 2021 are being verified. Let us assume that the total amount of social tax payable by the employer is 795 euros, then the sole proprietor's final payment for the second quarter

- ✓ is $534.60 - 534.60 = 0$ euros and the unused balance of social tax according to forms TSD or ESD is $795 - 578.16 = 216.84$ euros for covering the following quarters.

- ✓ Tax liability for the third quarter is 578.16 euros. The amounts of social tax on form TSD for June, July and August 2021 are being verified. Let us assume that the total amount of social tax payable by the employer is 50 euros, then the final payment for the third quarter is $578.16 - 216.84$ (balance) $- 50$ (new) = 311.32 euros.

- ✓ Tax liability for the fourth quarter is 578.16 euros. The amounts of social tax declared on form TSD for September, October and November 2021 are being verified. Let us assume that the total amount of social tax is 600 euros, then the final payment for the fourth quarter is $578.16 - 578.16 = 0$ euros and although, according to forms TSD or ESD, 21.84 euros of the social tax amount was not used, it will not be carried over to the coming year. The final annual social tax liability will be recalculated on the basis of the 2021 natural person income tax return in 2022 and the amount of social tax on forms TSD or ESD for January-December 2021 will be taken into account.

Analogically to social tax payable by the employer, the amounts received to the person's entrepreneur account to cover social tax in 2021 are taken into account if the sole proprietor has such an account.