

# Obligations of sole proprietors

## SOLE PROPRIETORS ARE OBLIGED TO:

- ✓ keep accounts on their activities;
- ✓ in addition to keeping accounts, sole proprietors must keep records of facts relevant for taxation purposes (accounting for taxation purposes);
- ✓ pay **income tax** and **social tax** on their business income and if they have joined the mandatory funded pension (II pension pillar), pay also **contribution to the mandatory funded pension**;
- ✓ in addition to Form A of the **income tax return of natural person**, submit a business income return (Form E) not later than by 30 April of the year following the period of taxation (calendar year). (*The Estonian Tax and Customs Board will calculate the social tax and contribution to the mandatory funded pension to be paid from the business income on the basis of Form E and the income tax on the basis of Forms A and E of the income tax return and send a corresponding tax notice not later than by 1 September; the taxes due by the tax notice must be paid by the sole proprietor not later than by 1 October*);
- ✓ make **advance payments of social tax** during the period of taxation;
- ✓ make **advance payments of income tax** during the period of taxation beginning from the second business year;
- ✓ sole proprietors whose business is registered in the commercial register as temporary or seasonal and who have indicated the starting date and final date of the business in their registration application are not required to inform of the start or termination of business activities for each case. Sole proprietors have the right to notify the commercial register of the suspension of the activities in advance specifying the period of time when the business is suspended. During the period of suspension, the person concerned is not a sole proprietor for taxation purposes.

## PAY ATTENTION

If a sole proprietor fails to pay taxes by the due date prescribed by law (including advanced payments), the person is required to calculate and pay interest on the amount of tax outstanding at the rate of 0.06% per day by the due date. Interest is calculated as of the day following the day on which payment of the tax was due pursuant to law until the date of payment or set-off, inclusive of the latter (**subsections 115** and 117 of the Taxation Act).

In connection with the application of the state aid measures, an interest rate of 0.03% per day is charged

on the amount of tax due between **16 May 2020** and **31 December 2021**.