Income tax

PRINCIPLES

Self-employed persons pay income tax on income derived from their business from which the deductions related to enterprise have been made under the conditions prescribed by law. Deductions from business income can only be made by a natural person **registered** as a self-employed person.

Income tax is charged on income derived from business also during the suspension of the business or received after the termination of engagement in business.

The period of taxation for income tax is one **calendar year**.

Income tax is charged on the income by the tax rate valid during the period of taxation when the income is received.

In 2026, the rate of income tax is 22%.

Self-employed persons may not deduct the income tax paid (including advance payments of income tax) from their business income.

A self-employed person who derived business income during a previous period of taxation is required to make advance payments of income tax.

DECLARATION OF INCOME, CALCULATION AND PAYMENT OF INCOME

Self-employed persons declare the income derived from their business once a year on form E, which is submitted together with an income tax return for natural person on form A to the Estonian Tax and Customs Board not later than by **30 April** of the year following the period of taxation. (Through the **e-services environment e-MTA** it is possible to file an income tax return from 15 February. If 15 February is a non-working day, then from the next working day.)

Self-employed persons are required to submit an income tax return also in the case where business income during a period of taxation was less than the basic exemption, business income was not derived or there was no economic activity at all.

The Estonian Tax and Customs Board calculates the additional amount of income tax due based on the business income adjusted by the social tax indicated on form E and the income and allowed deductions indicated on form A, and sends a tax notice on the additional amount of income tax due to a self-employed person not later than 30 days before the due date for payment, i.e. on 1 September of the year following the period of taxation. The calculation of the income tax liability of the year concerned and the amount of income tax due can also be viewed from the information sheet of the income tax return. Self-employed persons must pay the amount indicated in the tax notice no later than by **1 October**.

The Estonian Tax and Customs Board refunds the overpaid amount of income tax by the same date.

MAKING ADVANCE PAYMENTS OF INCOME TAX

A self-employed person starting a business need not make advance payments of income tax during the first period of taxation.

A self-employed person who derived business income during a previous period of taxation is required to make advance payments of income tax (**subsection 47 (1) of the Income Tax Act**).

Advance payments of income tax must be made into the bank account of the Estonian Tax and Customs Board in equal amounts **by the 15th day** of the third month of each quarter (not later than **by 15 September and 15 December**) starting from the quarter following the due date for submitting the income tax return.

The amount of advance payments of income tax is calculated on the basis of taxable business income derived by the person during the previous year of activity.

The amount of an advance payment to be paid on one due date is 1/4 of the total amount of income tax calculated on the business income derived during the previous business year, i.e. for example, in 2026, the person makes advance payments in total 2/4 of the amount of income tax calculated on the business income derived in 2025.

The amount of advance payment of income tax for one due date is found as follows:
the business income of a previous period of taxation, i.e. the taxable business income adjusted by social tax indicated on form E is multiplied by the tax rate of income tax valid during the previous period of taxation and is divided by the number four.

EXAMPLE

A self-employed person's taxable business income for the year 2025 was 5,455 euros and the tax rate was 22%.
In 2026, the amount of one advance payment is thus: 5,455 × 0,22 ÷ 4 = 300 euros.
The due dates and amounts for advance payments of income tax in 2026:
300 euros for the third quarter by 15 September;
300 euros for the fourth quarter by 15 December.
Totally 600 euros in the year.

A SELF-EMPLOYED PERSON NEED NOT MAKE ADVANCE PAYMENTS OF INCOME TAX:

- ✓ during the first taxable business period (of the year of activity);
- ✓ if the quarterly payment (for one due date) does not exceed 300 euros;
- ✓ if a self-employed person did not receive taxable business income during the previous period of

- ✓ taxation;
- ✓ if the business is registered in the commercial register as temporary or seasonal;
- ✓ if the business is suspended.

The Estonian Tax and Customs Board has the right to reduce the amount of advance payments or exempt a self-employed person from making advance payments if the self-employed person's estimated business income during the period of taxation is considerably smaller than the income of the previous period of taxation and if the self-employed person submits a corresponding **reasoned** application**. In the application, it is necessary to indicate specific reasons for reduction of the business income and add numerical data on the estimated business income.**

The application should be submitted prior to the due date of the advance payment. When submitting the application, it must be borne in mind that the tax authority makes a decision on the reduction or exemption of advance payments only in respect of the forthcoming due dates, therefore no decision is made on the due dates that have already arrived or have expired.

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