

Tax Declaration as a Background Process

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Filing payroll tax return during bank transaction in backround

About 38 000 SMEs only pay payroll taxes (1/3 of all the employers)

- ✓ How to reduce administrative burden of SMEs?
- **✓** Tax and Customs Board needs data, not tax returns!
- ✓ Get data from systems that companies already use
 - Banks, accounting software, service providers etc.



Filing Tax Return vs Data Exchange



Filing Tax Return vs Data Exchange Process

Filing
Tax Return

Employer logs in to ebank and pays salaries Next month

Employer logs in to the e-taxboard, fills in tax return and confirms it

Employer logs in to ebank and pays taxes

Tax Return with Data Exchange

Employer logs in to ebank and pays salaries

Simultanious background process:

- Taxes are calculated:
- Tax return prefilled;
- Taxes paid with the same transaction (or saved as future payment in bank).

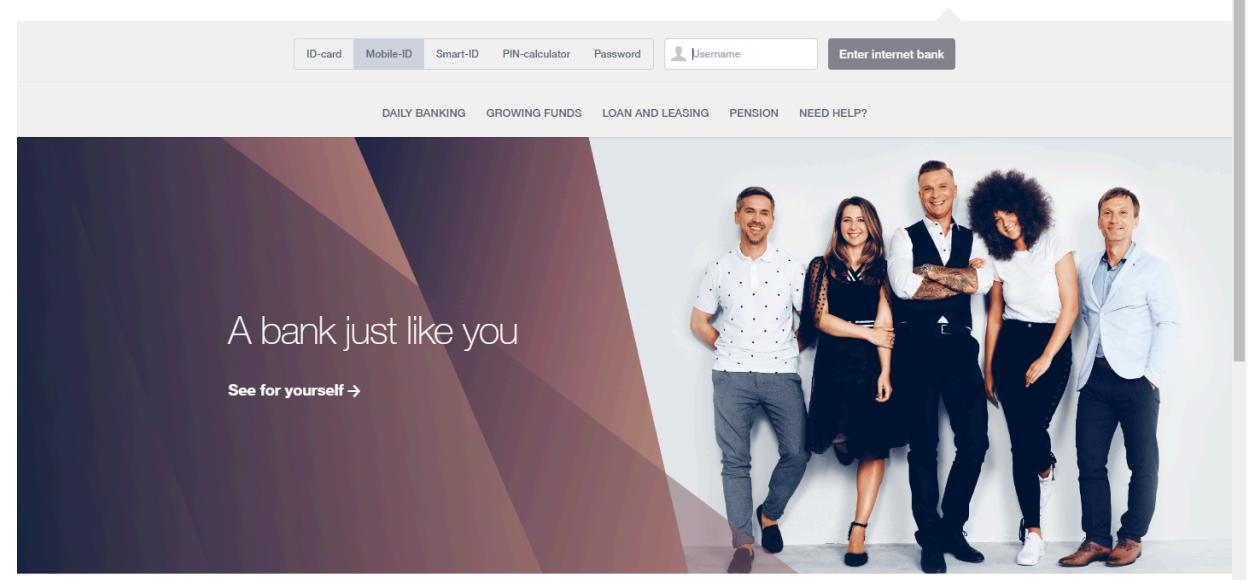


Background process:

- ETCB automatically confirms the tax return;



How Does It Look Like for the User?



• • •

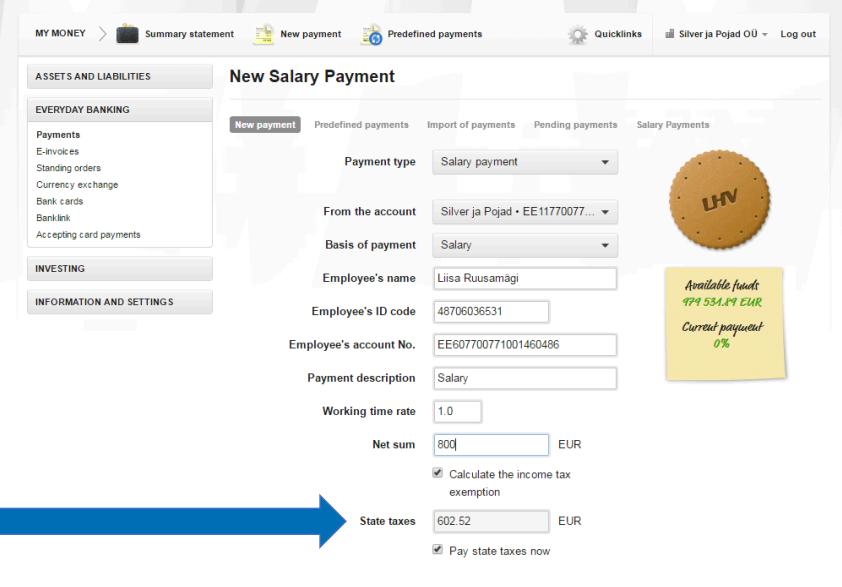
Log in Enter your Mobile-ID PIN1 on your phone, if you are convinced the control code shown on your phone matches the one shown here. Challenge: 7857 Cancel

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ASSETS AND LIABILITIES	New Salary Payment		
EVERYDAY BANKING Payments E-invoices Standing orders	New payment Predefined payments Payment type	Import of payments Pending payments Salary payment	Salary Payments
Currency exchange Bank cards Banklink Accepting card payments	From the account Silver ja Pojad • EE11770077 ▼ Basis of payment Salary	UN	
INFORMATION AND SETTINGS	Employee's name Employee's ID code Employee's account No. Payment description Working time rate	1.0	Available huuds 979 531.89 EUR Current payment 0%
	Net sum	EUR ✓ Calculate the income tax exemption	







Summary statement







■ Silver ja Pojad OÜ ▼ Log out

ASSETS AND LIABILITIES

EVERYDAY BANKING

Payments

E-invoices

Standing orders

Currency exchange

Bank cards

Banklink

Accepting card payments

INVESTING

INFORMATION AND SETTINGS

New Salary Payment

New payment Predefined payments Import of payments Pending payments Salary Payments

> From the account Silver ja Pojad •

> > EE117700771001344968

Basis of payment Salary

Employee's name Liisa Ruusamägi

Employee's ID code 48706036531

Employee's account No. EE607700771001460486

Payment description Salary

Working time rate 1.0

800 EUR Net sum

Calculate the income tax

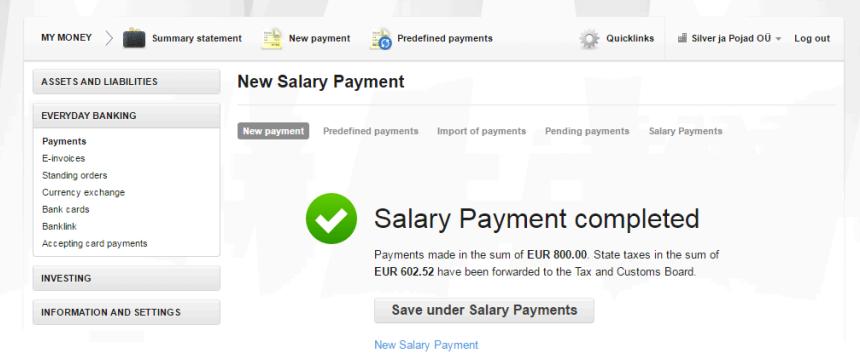
exemption

State taxes 602.52 EUR

Pay state taxes now Yes

← Back

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What Makes It Possible?

- ✓ 2 universal X-Road based services:
 - Tax calculation for bank (or other service providers);
 - Tax return prefilling and confirming.
- ✓ Services are running in the background, taxpayer only sees the calculated tax amount in e-bank
- ✓ To begin agreement is concluded between taxpayer, bank and Tax Board



Business Account for Natural Person



What is **Business Account**?

It's a dedicated bank account, that natural person can open in their bank if they wish to earn business income without registering as a business.

- **Business Account** simplifies business income taxation form natural person;
- Business account is regulated with <u>Simplified Business Income</u> <u>Taxation Act</u> (in force from 01.01.2018).
- To start using business account, banks and ETCB (Estonian Tax and Customs Board) both need some IT development.



How does Business Account work?

Automatic registration in employment register.

Business income tax is automatically withheld:

- The period of taxation is a calendar month;
- Tax rate is 20% of the amount received on the business account if the amount does not exceed 25 000 euros in a calendar year;
- Tax rate is 40% of the amount received on the business account exceeding 25 000 euros in a calendar year.



What taxes are paid?

3 different taxes are paid from the *business income tax* withhold:

- **Income tax** part is 20/55 of the rate of the business income tax;
- Social tax part is 33/55 of the rate of the business income tax;
- Contributions to funded pension is 2/55 of the rate of the business income tax.



Thank You!

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