

Obligation to register as taxable person

The following does not apply to a foreign person engaged in business who does not have a permanent establishment in Estonia and to a person who owns an online marketplace in the case of the supply specified in subsection 1³ of § 4 of the VAT Act.

If a person's supply for a calendar year provided for in subsection 3 of § 19¹ of the VAT Act, the place of creation of which is Estonia, exceeds 40,000 euros as of the beginning of the calendar year, the person is required to register as a person liable to VAT.

If margin-based accounting is used, for example, the special arrangement for second-hand goods (§ 41 of the VAT Act) or the special arrangement for travel services (§ 40 of the VAT Act), the total amount received for the goods or services, not just the margin, is considered as supply (**Judgment of the Court of Justice in Case C-388/18**).

The registration obligation does not arise if the entire supply of the person during a calendar year is the supply exempt from tax and supply taxable at the 0 per cent VAT rate, except intra-Community supply of goods.

For example, a foreign economic operator whose entire activity consists of the export of goods or who engages only in goods transactions in a customs warehouse need not be registered as a taxable person. At the same time, an economic operator has the right to register on the basis of an application even if it is not yet subject to registration.

The principles for calculating the threshold changed from 1 January 2025, which can be found in the section "**Threshold calculation from 1 January 2025**".

Example

If a person exceeds the threshold of 40,000 euros on the 2nd day of the month, on Friday, he must submit an application for registration as a taxable person no later than on the 7th day of the month, on Wednesday. However, account must be taken of the fact that the tax authority registers a person as a taxable person from the day on which the threshold was exceeded, that is to say, from the 2nd day. In order to make such a decision, the legislator has given the tax authority five working days as of the receipt of the application (subsection 3 of § 20 of the VAT Act), which means that in the example given, the decision to register the person as a taxable person must be made no later than on the 14th day of the month, on Wednesday, and at the latest on the next working day, i.e. on the 15th day of the month (Thursday), the person must be notified about the decision (subsection 5 of § 20 of the VAT Act).

It is preferable that a person registers as a taxable person a little earlier than when the legal supply threshold is exceeded (see the section "**Possibility of registering as a taxable person**"). This will help to

avoid problems that inevitably arise from the sudden obligations at a time when the tax authority's decision has not reached the taxpayer yet and the VAT identification number is not yet known. However, if such a situation arises, VAT must still be calculated on the supply generated at that time and, if possible, the corresponding invoices must be issued later (invoices are issued within 7 days). Invoices issued during the so-called transition period and incompatible with the requirements of § 37 of the VAT Act must be brought into conformity with the requirements of the Act. This is, among other things, in the interests of customers, since input tax cannot be deducted on the basis of an invoice which is incompatible with the requirements.

In addition to the calculation of the supply threshold as of the beginning of the calendar year, similar accounting must also be kept if the data of the taxable person has been deleted from the register on the basis of an application specified in subsection 1 of § 22 of the VAT Act (i.e. if the supply of the taxable person did not exceed the threshold of 40,000 euros in the current or previous calendar year or, according to the calculations of the taxable person, will not exceed the threshold during the following 12 months either). In this case, the calculation of 40,000 euros begins on the day following the date of deletion from the register within the same calendar year (subsection 2 of § 19 of the VAT Act).

The process of filing and handling an application for registration is similar to that described above (three working days for the taxpayer to submit the application and five working days for the tax authority to make a decision).

From 01.01.2025, foreign small enterprises, the supply of which in the European Union is less than 100,000 euros and which do not exceed the tax-exempt threshold in the countries where they operate, will be able to use the special scheme for small businesses. More information in the section "**Special scheme for small businesses**".

Handbook Article last update 08.01.2025