Person liable to value added tax

Legal basis

§ 3 of the Value Added Tax Act (VAT Act)

For the purposes of subsection 1 of § 3 of the VAT Act a **person liable to value added tax** (hereinafter taxable person) is a person who is engaged in business (a natural or legal person, both resident and non-resident), including a legal person in public law or a state, rural municipality or city authority, and is registered or required to register as a taxable person (§ 19). A taxable person of a foreign state or another Member State is a person, including a pool of assets or association of persons without the status of legal person, who is treated as a person liable to value added tax according to the legislation of the state concerned.

An Estonian or a foreign person means a person whose registered seat or principal place of residence is Estonia or a foreign country, respectively, and who, according to the legislation of the respective country, is regarded as a person liable to value added tax.

A **foreign taxable person** is not deemed to be an Estonian taxable person due to its permanent business establishment located and engaged in business in Estonia if the foreign person does not participate in a transaction or act subject to taxation through its permanent business establishment located in Estonia (subsection 3^1 of § 3 of the VAT Act).

A foreign person is not regarded as a taxable person in the Member State where his permanent establishment is registered as a taxable person if the transactions do not relate to his permanent establishment. Therefore, the taxation and reporting of cross-border transactions must be based on the persons involved in the transaction. If the actual consumer of the service or the recipient of the goods is a foreign taxable person in his Member State who is also registered as a taxable person in Estonia, the transaction is taxed at a 0 per cent rate, i.e. the reverse charge is carried out and the tax liability is transferred to another Member State.

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