

Registration as a person liable to VAT with limited liability

An Estonian person and a foreign person operating through a permanent establishment in Estonia who receives the service specified in subsection 5 of § 10 of the VAT Act from a foreign person engaged in business not registered as a taxable person in Estonia is required to register as a taxable person with limited liability as of the date of receipt of the service. This provision does not apply to taxable persons or natural persons who do not engage in business (subsection 1 of § 21 of the VAT Act).

Therefore, the obligation to register as a taxable person with limited liability arises from the date of receipt of the service upon receipt of the following services specified in subsection 5 of § 10 of the VAT Act:

1. grant of the use of intellectual property or transfer of the right to use intellectual property
2. advertising services
3. services of consultants, accountants, lawyers, auditors and engineers, translation services, as well as data processing or the supplying of information
4. financial services, except for leasing safes, or insurance services, including reinsurance and insurance intermediation services
5. allowing use of manpower
6. the hiring or leasing of or establishment of a usufruct on movables, except means of transport
7. electronic communications service within the meaning of the Electronic Communications Act, including assignment of the right to use transmission lines
8. electronically supplied services
9. allowing access to natural gas or electricity, heating and cooling energy network connections, and transmission of natural gas or electricity, heating or cooling energy through networks and services directly related thereto
10. transfer of permitted limit values of emissions of greenhouse gases regulated by the Atmospheric Air Protection Act
11. refraining from the services specified in clauses 1–10 of this subsection, waiving the exercise of a right or tolerating a situation for a charge.

If the taxable value of the goods acquired by a person by way of intra-Community acquisition (§ 8), except excise goods and new means of transport, exceeds 10 000 euros as calculated from the beginning of a calendar year, the obligation to register as a taxable person with limited liability will arise for the person as of the date on which that threshold was exceeded, except in the case specified in subsection 21 of § 2¹ of the VAT Act. This provision does not apply to taxable persons or natural persons who do not engage in business (subsection 2 of § 21 of the VAT Act). Subsection 2¹ of § 21 of the VAT Act provides that if a foreign person engaged in business who has no permanent business establishment in Estonia engages in intra-Community acquisition of goods in Estonia, the obligation to register as a taxable person with limited liability arises for the person as of the date of the intra-Community acquisition of the goods. This provision does not apply to Intra-Community acquisition of

goods which is exempt from tax (§ 18).

A person is required to submit an application for registration as a taxable person with limited liability to the tax authority within three working days as of the date on which the obligation to register as a taxable person with limited liability arises (subsection 3 of § 21 of the VAT Act). The person is registered as a taxable person with limited liability as of the date on which the registration obligation arises.

A person may submit an application for registration as a taxable person with limited liability to the tax authority before the registration obligation arises (subsection 4 of § 21 of the VAT Act). If a person registers as a taxable person with limited liability, he will be able to purchase goods and receive services at a zero tax rate. For this purpose, the seller or supplier must be informed of the registration number and in this case the taxable person with limited liability receives goods and services free of VAT (the seller does not add VAT to the price of the goods). Thus, the taxable person with limited liability will be liable to pay VAT later (not at the time of acquisition of the goods or services) and the tax rate of 24% or 9% in force in Estonia applies to the taxation of acquisitions.

For registration as a taxable person with limited liability, the application form for registration of a taxable person with limited liability is submitted (established by a regulation of the Minister of Finance). Upon registration of a taxable person with limited liability, the provisions for the registration of a taxable person provided for in § 20 of the VAT Act must be applied.

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