Reminder for a taxable person with limited liability

As of the date of registration as a taxable person with limited liability, a person must perform the obligations of a taxable person with limited liability, including (pursuant to subsection 1 of § 25 if the VAT Act):

1. calculating the amount of VAT due pursuant to the provisions of subsection 12 of § 29 of the VAT Act. Pursuant to subsection 12 of § 29 of the VAT Act, the amount of VAT to be paid by a taxable person with limited liability is the VAT on the acts specified in subsection 5 of § 3 of the VAT Act, i.e.
   - import of goods into Estonia (except imports exempt from tax)
   - intra-Community acquisitions of goods (except acquisitions of goods which are exempt from tax)
   - the acquisition of goods as the acquirer in a triangular transaction
   - the acquisition of goods to be installed or assembled in Estonia from a person of another Member State engaged in business who is not registered as a taxable person in Estonia
   - the services received from a foreign person engaged in business who is not registered as a taxable person in Estonia
   - the acquisition of goods not listed above from a foreign person engaged in business who is not registered as a taxable person in Estonia.
2. paying value added tax pursuant to the procedure provided for in § 38 of the VAT Act.
3. preserving documents and maintaining records pursuant to the provisions of subsection 3 of § 36 of the VAT Act.
4. submitting a VAT return only if the person has performed acts specified in subsection 5 of § 3 of the VAT Act during the taxable period (clause 2 of subsection 2 of § 27 of the VAT Act).

For taxable person with limited liability, a real VAT liability arises from the acquisition of declared goods and services because he has no right to deduct input VAT (subsection 1 of § 25 of the VAT Act).

If a taxable person with limited liability has been registered upon receipt of the services specified in subsection 5 of § 10 of the VAT Act and the intra-Community acquisition of goods by the taxable person exceeds 10 000 euros as of the beginning of the year, the taxable person with limited liability must notify the tax authority in writing within three working days of exceeding the limit for intra-Community acquisition of goods (subsection 2 of § 25 of the VAT Act).

Therefore, where a person is registered as a taxable person with limited liability for receiving services, he is not immediately liable to pay VAT on the intra-Community acquisition of goods. A taxable person with limited liability is required to pay VAT on the acquisition of goods only if he acquires excise goods or a new means of transport and if the threshold of 10 000 euros for the acquisition of other goods has been exceeded, although if he so wishes, he may do so earlier, notifying the tax authority thereof in writing. If a person registers as a taxable person with limited liability as a result of exceeding the threshold for intra-Community acquisitions of goods and subsequently receives taxable services, he is also liable to pay

VAT on the services received, since there is no tax-exempt threshold for services.

If a person is registered as a taxable person with limited liability only for receiving services, he has no right to use his number of registration as a taxable person with limited liability on the basis of which the seller applies a zero rate when acquiring goods. However, if a taxable person with limited liability gives the seller his registration number, it is deemed to be an application to start paying VAT on the acquisition of the goods in Estonia and he is obliged to declare the intra-Community acquisition of the goods on his VAT return and to pay VAT on it (subsection 3 of § 25 of the VAT Act).

Consequently, the obligation to declare and also to pay VAT arises not only in respect of the transaction in respect of which the person has used his registration number, but, from that transaction, he is liable to pay VAT on all intra-Community acquisitions of goods, since he is also deemed to be registered as from that transaction in respect of the intra-Community acquisition of goods.

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