



MAKSU- JA TOLLIAMET

# Registration as a VAT payer

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# 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<sup>1</sup> 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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# Deletion of a taxable person from the register

## Upon application by the taxable person

**NB! The conditions for deletion from the register on the basis of an application of a taxable person have changed since 1 January 2025.**

A taxable person may submit an application for deletion from the register if the supply of the transactions specified in subsection 3 of § 19<sup>1</sup> of the VAT Act, the place of supply of which is Estonia, has not not exceed 40,000 euros in the current or previous calendar year and, according to the calculations of the taxable person, does not exceed the 40,000 euros threshold in the following 12 months (subsection 1 § 22 of the VAT Act). **Therefore, upon submitting an application for deletion from the register, it is no longer possible to rely solely on taxable person's calculations that the supply for the following 12 months will not exceed the registration threshold, but the amount of the actual supply for the previous and current calendar years is also relevant.**

A person of another Member State engaged in business may submit an application to the tax authority for deletion of the person from the register if all the following conditions are complied with (subsection 2 of § 22 of the VAT Act):

- ✓ the person carries out intra-Community distance selling from another Member State to Estonia or provides electronic communications services or electronically supplied services to a person with seat or residence in Estonia who has not been registered as a taxable person or a taxable person with limited liability in any of the Member States;
- ✓ the person has been registered as a taxable person on the basis of subsection 2 of § 20 of the VAT Act before the registration obligation provided for in subsection 4 of § 19 of the VAT Act was created;
- ✓ the person has been registered as a taxable person for at least two calendar years;
- ✓ the supply of the transactions specified in subsection 3 of § 19<sup>1</sup> of the VAT Act carried out by the person, the place of supply of which is Estonia, **has not exceeded in the current or previous calendar year** and, according to the calculations of the person, does not exceed the threshold provided for in subsection 1 of § 19 (40,000 euros) or subsection 4 of § 19 (10,000 euros) of the VAT Act during the following 12 months (**this condition has been amended from 1 January 2025**).

In case a person of another Member State engaged in business who has been registered as a taxable person in accordance with subsection 4 of § 19 or subsection 2 of § 20 of the VAT Act before the registration obligation provided in subsection 4 of § 19 of is created registers in another Member State

as the implementer of the special arrangement for imposing value added tax on the transfer of goods through a service, intra-Community distance selling and online marketplace (OSS), the person is deleted from the register as a taxable persons based on the application of the person, provided that the supply of the transactions, specified in subsection 3 of § 19<sup>1</sup> carried out by the person, the place of supply of which is Estonia, **has not exceeded the threshold** provided in subsection 1 of § 19 of the VAT Act (i.e. 40,000 euros) **in the current or previous calendar year** and according to the calculations of the person does not exceed the threshold in the following 12 months (subsection 2<sup>1</sup> of § 22 of the VAT Act, also amended from 01.01.2025).

### At the initiative of the tax authority

The tax authority has the right to delete a taxable person from the register if the taxable person has failed to submit a VAT return for the last six consecutive taxable periods (subsection 3 of § 22 of the VAT Act). Before deletion from the register, the tax authority will contact the taxable person.

The tax authority has the right to delete from the register a taxable person who does not engage in business in Estonia. If the proof provided concerning the person's business is insufficient, the tax authority will have the right to request that the person submit additional proof or collect such proof on its own initiative. The tax authority will give the taxable person written notice of the intention to delete the taxable person from the register and set a term for providing proof concerning the taxable person's business. If the taxable person fails to provide proof of business within the prescribed term, the tax authority will delete the taxable person from the register of taxable persons. (Subsection 3<sup>1</sup> of § 22 of the VAT Act)

Before deciding on the deletion of a taxable person from the register the tax authority will, if necessary, audit the economic activities of the person (subsection 1 of § 22 of the VAT Act). A person is deemed to have been deleted from the register as of the date specified in the relevant decision (which due to the duration of the process – verification, etc. – may be later than the taxpayer wished).

If a taxable person or his activities have been dissolved and the registration of the dissolution has entered into force and the tax authority has received a notice to that effect, the tax authority will delete the taxable person from the register (subsection 4 of § 22 of the VAT Act).

### Obligations upon deletion from the register

Upon deletion from the register, the taxable person must pay VAT on goods not yet transferred if the person has deducted the input VAT on such goods upon acquisition. The acquisition cost or, in the absence thereof, the cost price of the goods is the taxable value of the goods. **The input VAT deducted upon acquisition of fixed assets not yet transferred must be adjusted pursuant to provisions of subsection 4 of § 32 of the VAT Act.** (Subsection 10 of § 29 of the VAT Act)

# 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 1<sup>3</sup> of § 4 of the VAT Act.

If a person's supply for a calendar year provided for in subsection 3 of § 19<sup>1</sup> 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](#)".

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## Threshold calculation from 1 January 2025

From 1 January 2025, the following is included in the 40,000 euro threshold for registration for VAT purposes:

- ✓ taxable supply of goods and services, including 0 per cent taxable supply, except the transfer of fixed assets;
- ✓ supply of real estate transactions ([clauses 2, 3 and 6 of subsection 2 of § 16 of the VAT Act](#)), except the transfer of fixed assets and occasional transactions;

- ✓ supply of insurance services (**clause 1 of subsection 2 of § 16 of the VAT Act**) and financial services (**subsection 2<sup>1</sup> of § 16 of the VAT Act**), except occasional services.

Only supply the place of creation of which is in Estonia is included in the threshold.

If a person's total supply is either exempt from tax or subject to 0% VAT (and it does not include intra-Community supply of goods), the registration obligation does not apply regardless of the amount of the supply.

All transactions specified in clauses 2, 3 and 6 of subsection 2 of § 16 of the VAT Act are included in real estate transactions – sales transactions, lease and rental transactions as well as, for example, membership in a building association.

Reinsurance and insurance intermediation services are also included in the insurance services to be included in the threshold.

The financial services included in the threshold include the services referred to in **subsection 2<sup>1</sup> of § 16 of the VAT Act**:

1. deposit transactions for the receipt of deposits and other repayable funds from the public;
2. borrowing and lending operations, including consumer credit, mortgage credit and other transactions for financing business transactions;
3. leasing transactions;
4. payment services within the meaning of the Payment Institutions and E-Money Institutions Act, with the exception of transactions with commemorative coins within the meaning of Regulation (EU) No 651/2012 of the European Parliament and of the Council on the issuance of euro coins (OJ L 201, 27.07.2012, pp 135–137) or with commemorative coins of third countries (hereinafter commemorative coins) that are not investment gold;
5. issue and administration of non-cash means of payment, such as electronic payment instruments, electronic money, traveller's cheques and bills of exchange;
6. guarantees and commitments and other transactions creating binding obligations to persons;
7. transactions for their own account or for the account of clients in traded securities provided in **clauses 1–7 of subsection 1 of § 2 of the Securities Market Act** and in foreign exchange and other money market instruments, including transactions in cheques, exchange instruments, certificates of deposit and other such instruments;
8. transactions and acts related to the issue and sales of securities specified in clause 7;
9. money broking;
10. negotiation services related to the services specified in clauses 1–9;
11. management of investment funds provided for in the Investment Funds Act and other investment funds of a Contracting Party to the EEA Agreement and subject to financial supervision, including the provision of services related to the management of funds to the funds in the case of transfer of duties of a management company.

In order to assess whether a financial transaction constitutes supply within the meaning of the VAT Act, it is necessary to pay attention to whether it is a supply of services in the course of an independent economic activity of a person, i.e. whether a person can have a say in determining the price of his or her service. For example, deposit interest is in principle a consideration for money lent to a bank, but since the recipient of deposit interest cannot determine the amount of interest itself, it cannot be regarded as supply within the meaning of the VAT Act. If one company grants a loan to another, interest is agreed upon, the service provider sets the price and it is a business that generates supply.

The supply of financial services must therefore include, for example, the sale of various securities and the interest yielded by the granting of loans, provided that these are not occasional transactions. In addition to interest on deposits, interest on bonds, receipt of dividends and redemption of bonds, for example, are not included in the supply of financial services.

Other tax-exempt services, such as health care or education services, will remain excluded from the calculation of the threshold from 1 January 2025.

In addition, sales of fixed assets and real estate, financial and insurance transactions as occasional transactions are not included in the threshold. Occasionality cannot be judged on the basis of frequency, amount or proportion alone. A transaction is usually occasional if a company has invested its available funds, granted a loan, etc., but the company has been created for some other activity.

The Ministry of Finance has explained an occasional transaction as follows:

*“A transaction is occasional when the transaction concerned is not related to the principal activity, the day-to-day business of the taxable persons. For example, an occasional transfer occurs when securities are transferred by a company that had acquired them for investment purposes but does not carry out securities transactions as its principal activity, or when a loan is granted by a company whose activity is not the granting of loans, etc. When defining an occasional transaction, account must also be taken of whether and to what extent input VAT is used for that transaction (C-378/15).”*

### Example 1

An Estonian company generates supply in the amount of 42,000 euros within a year only by renting out dwellings.

Since only tax-exempt supply is generated, there will be no obligation to register as a VAT payer from 2025.

### Example 2

Since the beginning of the calendar year, an Estonian company has tax-exempt supply of 38,000 euros from renting out a dwelling as a main activity and, in addition, taxable supply of 2,500 euros from the provision of training services.

The company has both taxable supply and tax-exempt supply related to immovable property (which is not an occasional transaction) and as of the day when the total supply of the calendar

year exceeds 40,000 euros, the obligation to register as a taxable person for VAT purposes arises. In addition, it is necessary to start taking into account the proportion upon deducting input VAT.

### Example 3

A company manufactures toys. Their supply is 38,000 euros in a calendar year. The company creates extra resources with which it will grant a one-time loan and earns 3,000 euros of interest. Next year, the company plans to use the loan paid back and the interest received to invest in the development of a toy factory.

In this case, the financial transaction can be considered as occasional and although the 40,000 threshold was exceeded with the tax-exempt supply generated by the interest, there is no registration obligation.

### Example 4

A company's area of activity is the purchase and sale of securities. The tax-exempt supply from the sale of shares is 300,000 euros and the taxable supply from consulting services is 1,000 euros. Starting from 1 January 2025, it is mandatory to register as a VAT payer if the threshold of 40,000 euros is met. If the company has only tax-exempt supply since the beginning of the calendar year, the registration obligation arises from the day on which taxable supply arises.

### Example 5

A company provides tax-exempt health care services in the amount of 500,000 euros and, in addition, it sells training services in the amount of 2,000 euros.

There will also be no obligation to register for VAT in 2025, as healthcare is included in the exemption for goods and services of social nature, which is not included in the threshold.

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## Possibility of registering as a taxable person

If the threshold of taxable supply is exceeded, a person has a legal obligation to register as a taxable person. At the same time, a person has the option to voluntarily register as a taxable person even if his taxable supply does not exceed the threshold of 40,000 euros or if he has not yet received taxable supply. A person also has the right to submit an application for registration as a taxable person upon intra-Community acquisition of goods exempt from tax or upon export (subsections 1 and 2 of § 20 of the VAT Act).

Upon submission of the application for registration, the person must prove that he or she is already engaged in business in Estonia or is about to commence business in Estonia. If the proof provided concerning the person's business or commencement of business is insufficient, the tax authority will have the right to request that the person submit additional proof or collect such proof on its own initiative. The proof is any information which confirms that the person submitting the petition has either commenced business at the place of business indicated in the application or that the commencement of business is planned. Such proof may be, for example, a business plan, preliminary contracts, contracts (lease, procurement, delivery, work, etc.), objects of work to be carried out, etc. The tax authority will decide on registration within five working days as of the receipt of the proof. The tax authority will not register the person if the person is neither engaged in business nor about to commence business (subsection 4<sup>1</sup> of § 20 of the VAT Act).

If business activity is proven, the person will be registered as a taxable person as of the date of receipt of the application or, at the request of the submitter, a later date.

If a person indicates in his application submitted on the basis of subsection 2 of § 20 of the VAT Act a date earlier than the date of submission as the desired starting date of registration as a taxable person, the person is still registered as a taxable person according to the VAT Act as of the date of submission of the application and not as of the earlier date indicated (subsection 4 of § 20 of the VAT Act).

The person who is registered as a taxable person must prove that he is engaged in business or commenced business both upon voluntary registration and obligatory registration.

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## Registration at the initiative of the tax authority

If the taxable person has not submitted a registration application within the time limit laid down by law (does not submit the application at all or submits it late), the tax authority will register the person retroactively on its own initiative from the date on which the supply exceeded 40,000 euros and will notify the taxable person of the corresponding decision within three working days as of the date on which the decision was made (subsection 10 of § 20 of the VAT Act).

If a taxable person has submitted an application for registration and is also registered as a taxable person, but it becomes evident after registration that the application was submitted late and that the supply threshold was actually exceeded earlier, the tax authority will issue a new registration decision. The tax authority will repeal its original decision retroactively and the person will be registered with a

new decision as of the date on which the taxable supply in the corresponding amount arose. In this case, the tax authority will also forward to the person the decision made on the registration of the person within three working days as of the date on which the decision is made (subsection 11 of § 20 of the VAT Act).

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## Person with no permanent business establishment in Estonia

If a foreign person engaged in business with no permanent business establishment in Estonia creates taxable supply in Estonia but such supply is not taxed in Estonia upon the acquisition of goods or receipt of services by a taxable person or taxable person with limited liability, the registration obligation will arise for the person as of the date on which the taxable supply is created.

This means, for example, that if a foreign person provides a service in Estonia (on which VAT needs to be calculated and paid in Estonia) to a person who is not subject to VAT in Estonia, the foreign person must immediately register as a taxable person in Estonia (and tax the service in Estonia). However, if he provides the service to an Estonian taxable person, he does not have to register as a taxable person in Estonia, because the Estonian taxable person will reverse charge the service received on his own VAT return (form KMD).

The registration obligation will not arise if all the taxable supply of the person is supply taxable at the 0 per cent VAT rate, unless it is intra-Community supply of goods and the supply which is created upon the transfer of goods to a person holding online marketplace in the case the person is considered the acquirer of the goods pursuant to subsection 1<sup>3</sup> of § 4 of the VAT Act.

Therefore, a foreign person is required to immediately register as a taxable person in Estonia if he generates taxable supply in Estonia which is not subject to reverse VAT. At the same time, a foreign person can be required to register in Estonia only if the other party to the transaction is a person not registered as a taxable person or taxable person with limited liability in Estonia, because a taxable purchaser always becomes subject to a reverse charge obligation upon the acquisition of goods or the receipt of services from a foreign person who is not registered as a taxable person in Estonia (general reverse charge obligation – clause 5 of subsection 4 of § 3, and subsection 5 of § 3 of the VAT Act).

Similarly, a taxable person of another Member State and a non-Community person engaged in business

do not have the obligation to register upon the supply of services, intra-Community distance sales and the transfer of goods via an online marketplace if the person is registered in another Member State as implementing the special scheme for charging VAT (§ 43 of the VAT Act) for the supply of services, intra-Community distance sales and online marketplaces and such supply is subject to taxation under this special scheme (subsection 3 of § 19 of the VAT Act).

If, in the case specified in subsection 1<sup>3</sup> of § 4 of the VAT Act, a third country person holding online marketplace, whose company has a seat outside the Community and who does not have a permanent business establishment in the Community, has a taxable supply in Estonia, but the person has not registered as a taxable person or as the implementer of special arrangements for imposing VAT on the transfer of goods through a service, intra-Community distance selling and online marketplace (§ 43 of VAT Act), the person from whom he acquired the goods is jointly and severally with the person liable for payment of the VAT with regard to the supply which has been incurred until the third country person is registered as a taxable person.

If the supply of goods (intra-Community distance sales) and services (electronic communications services and electronically supplied services), specified in subsection 3 of § 10<sup>1</sup> of the VAT Act, of a taxable person of another Member State engaged in business exceeds 10,000 euros in total in the calendar year, the registration obligation will arise for the person as of the date on which the supply reaches the specified amount. This limit also includes intra-Community distance sales of excise goods (subsection 4 of § 19 of the VAT Act).

Distance sales are the transfer and delivery of goods (other than a new means of transport or goods to be installed or assembled) by or on behalf of the transferor to another Member State to a person not registered there as a taxable person or taxable person with limited liability. Intra-Community distance selling will also take place where the transferor of the goods indirectly intervenes in the transport of goods specified in subsection 9 of § 2 of the VAT Act to another Member State to a person who is not registered there as a taxable person or a taxable person with limited liability (subsection 9 of § 2 of the VAT Act).

Foreign persons are registered as taxable persons by the Tallinn service bureau (Lõõtsa 8a, 15176 Tallinn). Applications of foreign persons are also accepted by other regional service bureaus and forwarded to the Tallinn bureau for registration.

A person of another Member State engaged in business with no permanent business establishment in Estonia has the right, upon registration as a taxable person, to appoint a tax representative, specified in the Taxation Act, who has been approved by the tax authority. A third-country person engaged in business who does not have a permanent business establishment in Estonia must, upon registration as a taxable person, appoint a tax representative specified in the Taxation Act who has been approved by the tax authority. The provision does not apply in the case specified in subsection 22 of § 43 of the VAT Act, according to which a third-country person engaged in business who uses special arrangement for the provision of services to a non-taxable person established in the Community cannot appoint a tax representative.

However, if a third country person whose business is located outside the Community and does not have a fixed establishment in the Community makes intra-Community distance sales from Estonia or allows a third-country person engaged in business through an online marketplace to transfer goods located in Estonia to a person not registered as a taxable person or taxable person with limited liability in Estonia, such person must register as a taxable person in Estonia and appoint a tax representative (subsection 6 of § 20 of the VAT Act).

As of 1 January 2022 **there is no obligation to appoint a tax representative for VAT purposes in Estonia by a non-Community economic operator who does not have a permanent establishment in Estonia and whose country of residence the European Union has concluded an agreement on mutual assistance in the field of administrative cooperation in the field of value added tax, combating fraud and recovery of claims.** At present, such non-EU countries are Norway and Great Britain.

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## Reminder for VAT payers

As of the date of registration as a taxable person, a person must perform the obligations of a taxable person, including (subsection 1 of § 24 of the VAT Act):

1. adding the amount of value added tax to the taxable value of the goods transferred or services provided;
2. calculating the amount of value added tax due pursuant to the procedure provided for in § 29 of the VAT Act;
3. paying value added tax pursuant to the procedure provided for in § 38 of the VAT Act;
4. preserving documents and maintaining records pursuant to the provisions of § 36 of the VAT Act;
5. and issue invoices in accordance with the requirements of § 37 of the VAT Act.

The above obligations also apply to foreign persons registered in Estonia as taxable persons who create supply in Estonia, except in cases specified in subsection 3<sup>1</sup> of § 3 of the VAT Act and in the case the person of a foreign state registered in Estonia has no permanent business establishment in Estonia through which the taxable person engages in business in Estonia (subsection 2 of § 24 of the VAT Act).

The taxable person has the right to deduct from his or her VAT liability the VAT due on goods and services purchased for taxable supply in the same tax period (input VAT). If there is no business activity or if the goods and services have been acquired for the purposes of supply exempt from tax, the input VAT cannot be deducted.

## VAT payer's calendar

Date	Obligation	Who
<b>20th day of each month</b>	Submission of VAT return (form KMD) and the annex to the VAT return (form KMD INF) <hr/> <b>Payment of VAT</b>	All persons liable to VAT
<b>20th day of each month</b>	Submission of report on intra-Community supply (form VD)	Persons liable to VAT who sell goods or provide certain services to persons liable to VAT in other countries of the EU
<b>10th day of each month</b>	Submission of declaration of income and social tax, unemployment insurance premiums and contributions to mandatory funded pension (form TSD). <b>A person liable to VAT does not have to submit form TSD, if he did not have any tax liability or circumstances affecting the tax liability.</b> <hr/> <b>Payment of taxes and contributions on the basis of the form TSD</b>	Persons liable to VAT required to submit form TSD

If the due date prescribed for performance of the obligation falls on a public holiday or other holiday, the first working day following the day off shall be deemed to be the due date.

Within six months of registration, the Estonian Tax and Customs Board informs all new taxable persons by e-mail of the due dates for submitting forms KMD and TSD.

### About the submission of tax returns

- ✘ The VAT period of taxation is a calendar month.
- ✘ If the number of calendar days of the first taxation period is less than 15 (for example, if you are registered for VAT purposes from the 18th day), the supply from the first period may be declared together with the supply from the following taxation period by submitting one VAT return for two taxation periods.
- ✘ All return forms can be submitted electronically in the e-services environment e-MTA. In order to use the e-services, access permissions are required. Information on access permissions can be found on the web page about [granting access permissions](#).

- ✘ The submission of a VAT return (form KMD) and its annex (KMD INF) on paper is allowed only to persons who have been taxable persons for VAT purposes for less than 12 months and do not include more than 5 invoices in the annex to the VAT return. Persons who have been liable to VAT for more than 12 months and/or reflect more than 5 invoices in the annex to the VAT return may submit the VAT return and the annex thereto on paper only on the basis of a reasoned application submitted to the Estonian Tax and Customs Board.
- ✘ Submission of form TSD on paper is permitted only if no more than 5 lines have been completed in Annex 1 to the TSD, i.e. no more than five recipients are declared.

## Validation of VAT identification numbers of business partners

- ✘ **Estonian VAT number validation (KMKR)**
- ✘ **European Union VIES VAT number validation**

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# Value added tax group

## Legal basis

§ 26 of the Value Added Tax Act

Regulation No 67 from 18 December 2009 of the Minister of Finance

The procedure for registration of a value added tax group, the format of the registration application, the format of decision of the tax authority concerning registration and the procedure for deletion of a value added tax group from the register

Persons registered as a value added tax group (VAT group) have a joint VAT registration number; they keep joint accounting of VAT and submit joint VAT returns (form KMD), reports on intra-Community supply (form VD) and reports on the amendment of intra-Community supply (form VDP).

Transactions between persons registered as a value added tax group are not subject to VAT, it means

that in the case of transactions between persons registered as a value added tax group VAT is neither included in invoices nor declared in VAT returns. Transactions between a taxable person belonging to a value added tax group and a person outside the value added tax group are deemed to be transactions of the value added tax group with that person, so VAT is chargeable according to the general rules.

All persons belonging to a value added tax group are solidarily liable for payment of value added tax by the due date. Likewise, upon deletion of a value added tax group from the register the taxable persons shall be solidarily liable for the value added tax arrears which arose during the period when they were registered as a value added tax group.

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## Conditions for registration as a VAT group

Following Estonian VAT payers engaged in business in Estonia shall be registered as a VAT group:

- ✓ parent undertaking and its subsidiaries within the meaning of the Estonian Commercial Code;
- ✓ economically and organisationally related VAT payers, if more than 50% of the shares, holding or votes of each company to be registered within the composition of a VAT group are owned by one and the same person or if the persons are related on the basis of a franchise contract.

Thus, it is possible to register as a VAT group VAT payers engaged in business in Estonia, who are tightly related with each other financially, economically and organisationally (all three conditions shall be fulfilled).

Financial connection means partnership in companies, being registered as a VAT group, or relationship on the basis of a franchise contract.

Economic connection – activities of members have the same character or are complementing each other or are depending from each other.

Organisational relationship – common or at least partly common management structure.

A VAT payer may belong to only one VAT group at the same time.

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# Applications related to VAT group and their submission

For registration as a VAT group, a written application shall be submitted through the representative in **form KRÜ** (the form is established by the Regulation of the Minister of Finance). For the deletion of the VAT group from the register, an application in free form shall be submitted through the representative, but in this application the reason of deletion from the register shall be marked as well as the same data which shall be indicated in the application for registration in form KRÜ (names and registry codes of companies; first names and family names, personal ID codes and signatures of board members or persons authorized by board members; dates of undersignment).

Applications for registration as a VAT group and for deletion of the VAT group from the register is possible to **submit electronically** in the e-services environment e-MTA, digitally signed applications by e-mail [emta@emta.ee](mailto:emta@emta.ee) and applications in paper form at a **service bureau**.

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## Electronic submission of applications related to VAT group

Upon the submission of the application in the e-services environment e-MTA, the person who submits (including the person verifying the application) the application must have the access permission "Submission of applications for registration as a person liable to value added tax (KMKR)". **To give the access permission**, the person who has the right to give authority must enter to the **e-services environment e-MTA** as representative and choose "Settings" – "Access permissions" – "Access permissions of representatives". In page of administration of access permissions it is necessary to enter personal ID code of the user who receives the authority, and choose under the section "Separate permissions" the access permission "Submission of applications for registration as a person liable to value added tax (KMKR)".

**To submit the application** as an authorized person, choose in the e-MTA "Registers and inquiries" – "Registration" – "Register of VAT payers".

All applications shall be submitted through the representative, i.e. in the e-MTA starts the submission of the application (opens the view of the application, fulfills the fields and presses the button "Submit") the representative. All members of the group must in the e-MTA verify this application (the button "Verify" in display of the member) or, if the particular member does not agree to the application, he must reject it (the button "Reject") in display of the member).

It's necessary to have in mind upon the submission of the application that at least one member shall be indicated within the composition of a VAT group additionally to the representative. The application is submitted to the Estonian Tax and Customs Board at the date when the last member of the group verifies it. If one member of the group does not verify the application (rejects the application), the application is not submitted to the Estonian Tax and Customs Board.

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## Types of applications related to VAT group upon electronic submission

Upon electronic submission of the application related to VAT Group, there are three types of applications: registration as a VAT group, amendment of the VAT group and deletion of the VAT group from the register.

### 1. Registration as a VAT group

- ✘ **Application for registration as a VAT group** – shall be submitted upon the registration as a VAT group for the first time. The submission of the application shall be initiated by the person, elected to the representative by the members of the group. [Read more about registration as a VAT group](#)

### 2. Amendment of the composition of a VAT group

If the members of a VAT group wish to delete the VAT group from the register and wish to re-register the same VAT group in a new composition again as of the day following the deletion – as the amendment, to maintain the continuity of the VAT group, the application for the amendment of the VAT group is added.

- ✘ **Application for the amendment of the VAT group** – shall be submitted if the members of the group wish to amend the composition of the group (incl. if the circumstances for registration as a VAT group ceased to exist during the current month) as of the first day of the month following the month when the application is submitted or as of the first day of any later month. For example, one member wishes to leave the group and/or a new VAT payer wishes to join the group.
- ✘ **Application for the amendment of the VAT group if the circumstances for registration as a VAT group ceased to exist (in the past)** – shall be submitted if the circumstances for registration as a

- ❖ VAT group partly ceased to exist in the composition of the group. The application shall be submitted for the amendment of the group as of the first day of the month following the month when the correspondent circumstances ceased to exist (i.e. as of the first day of the current month). For example, if there is 1 October and the circumstances ceased to exist in 28 September, „October 2018“ shall be indicated in the application as the date of the amendment.
- ❖ **Application for the amendment of the VAT group because of the deletion from the Commercial Register or the declaration of bankruptcy of the member of the group** – shall be submitted if the bankruptcy is declared to the member of the group or the member of the group is deleted from the Commercial Register. The application shall be submitted as of the date of the declaration of bankruptcy or the deletion from the Commercial Register. If the bankruptcy is declared to the representative of the group or the representative of the group is deleted from the Commercial Register, as the exception, only the new representative elected by the members of the group can submit the application.

### 3. Deletion of the VAT group from the register

- ❖ **Application for deletion of the VAT group from the register** – shall be submitted if the members of the group wish to delete the VAT group from the register as of the first day of the month following the month when the application is submitted, or as of the first day of any later month.
- ❖ **Application for deletion of the VAT group from the register if the circumstances for registration as a VAT group ceased to exist (in the past)** – shall be submitted if the circumstances for registration as a VAT group ceased to exist in the composition of the group. The application shall be submitted for deletion of the VAT group from the register as of the first day of the month following the month when the correspondent circumstances ceased to exist.
- ❖ **Application for deletion of the VAT group from the register because of the deletion from the Commercial Register or the declaration of bankruptcy of the member of the group** – shall be submitted if the bankruptcy is declared to the member of the group or the member of the group is deleted from the Commercial Register. The application shall be submitted as of the date of the declaration of bankruptcy or the deletion from the Commercial Register.

If the bankruptcy is declared to the representative of the group or the representative of the group is deleted from the Commercial Register, as the exception, any member elected from the members of the group can submit the application.

As the exception, the members of the group must not verify the application “Application for deletion of the VAT group from register because of the deletion from the Commercial Register or the declaration of bankruptcy of the member of the group”, but this application is submitted right away when the

representative of the group has submitted the application to the Estonian Tax and Customs Board (has pressed the button "Submit").

**The actual date of the registration as a VAT group, amendment of the composition of a VAT group and deletion of the VAT group from register decides the Estonian Tax and Customs Board in the course of proceeding of the application.**

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## Registration as a VAT group

The decision of registration as a VAT group shall be made by the tax authority and VAT payers registered as a VAT group shall be notified about this decision during 30 days after the receipt of the application for registration.

As a rule, VAT payers will be registered as a VAT group as of the first day of the month following the month when the decision about registration was made.

### Exceptions

- ❖ If the applicants wish so, the VAT payers can be registered as a VAT group retroactively from the first day of the month when the decision about registration was made.
- ❖ The VAT payers shall be registered as a VAT group again as of the day following the day when the VAT group was deleted from register (in the middle of the month) if the deletion of the VAT group from the register because of the deletion from the Commercial Register or the declaration of bankruptcy of the member of the group came directly before the registration of the VAT group. The registration as of the middle of the month is applicable only if from the VAT group which will be registered are exclusively excluded only companies who declared bankrupt or are deleted from the Commercial Register.

## Representative

A VAT group shall be registered **in the name of a representative, elected from among the persons belonging to the VAT group by persons who submitted the application.** The representative will represent the VAT group and his VAT ID number will be the joint VAT ID number for whole VAT group. Validity of

personal VAT ID numbers of other members of VAT group (excluding the representative) is suspended for the period when the persons are registered as a VAT group.

Representative:

- ✓ represents the VAT group (inter alia, communicates with the tax authority);
- ✓ submits joint VAT return (form KMD) of the VAT group and appendix thereto (form KMD INF) separately for each member of the VAT group;
- ✓ submits new form KMD with the amended information (corrected declaration), i.e. a new VAT return with the amended information for the taxable period when the persons are registered as a VAT group shall be submitted by the representative;
- ✓ submits joint report on intra-Community supply (form VD) and/or joint report on the amendment of intra-Community supply (form VDP) of the VAT group, i.e. every member of the VAT group shall not submit forms VD and VDP to the Estonian Tax and Customs Board individually;
- ✓ is the person who gets back the refundable amount of overpaid VAT, i.e. because of the circumstance that the representative has the obligation to submit joint form KMD of the VAT group, the overpaid amount of VAT shall also be refunded to the representative (shall be transferred to the prepayment account of the representative).

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## Transactions between persons registered as a VAT group and invoices

Transactions between persons registered as a VAT group are not deemed to be supply.

Transaction between a VAT payer belonging to a VAT group and a person outside the VAT group is deemed to be a transaction of the VAT group with that person.

The invoices shall not be issued for transactions between persons registered as a VAT group according to § 37 of the Value Added Tax Act.

Provision of the service between a VAT payer belonging to a VAT group and its permanent establishment located in a foreign country is deemed to be a business. It means that provision of the service by a VAT payer belonging to a VAT group to its permanent establishment located in a foreign country is deemed to be supply because the VAT group is treated as the provider of the service, not the separate member of the VAT group individually. There is the same principle, when the service is received from a foreign country, and also if the permanent establishment is located in Estonia.

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## Solidary liability

The persons registered as a VAT group shall be solidarily liable for payment of VAT by the due date.

Thus, if there is not enough money in the prepayment account of the representative of the VAT group to pay necessary amount of VAT, in the second working day following the due date the Estonian Tax and Customs Board takes the money from the prepayment account of the solidary person.

Upon the deletion of a VAT group from the register, the VAT payers shall be solidarily liable for the VAT arrears which arose during the period when they were registered as a VAT group.

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## Declaration of import of goods or fixed assets in form KMD

To get the right to declare in form KMD the amount of VAT, calculated on import of goods or fixed assets, the fulfilment of the conditions stipulated in subsections 2<sup>1</sup>–2<sup>3</sup> of § 38 of the Value Added Tax Act must cover the whole VAT group.

## Deletion of the VAT group from register

The VAT group shall be deleted from the register if:

- ✓ the circumstances specified in subsection 1 of § 26 of the Value Added Tax Act no longer exist – as of the first day of the month following the month in which such circumstances cease to exist;
- ✓ the representative of the VAT group submits an application for the deletion of the VAT group from the register if any changes are made in the composition of the VAT group or for any other reasons – as of the first day of the month following the month of receipt of the application;
- ✓ a company belonging to the VAT group is declared bankrupt or it is deleted from the Commercial Register – as of the date of declaration of bankruptcy or deletion from the Commercial Register.

The decision of the deletion of the VAT group from the register shall be made by the tax authority and VAT payers belonging to the VAT group shall be notified about this decision during 30 days after the receipt of the application.

As of the date of the deletion of a VAT group from the register, the VAT payers are deemed to be re-registered as separate VAT payers, i.e. the personal VAT ID number of the member of the VAT group is valid from the same date.

## Cash accounting for VAT

## Legal basis

### § 44 of VAT Act

## Conditions for the application of the special cash accounting arrangement

According to the amendments to the VAT Act which entered into force on 1 January 2011, all persons liable to VAT whose taxable supply did not exceed 200,000 euros as of the beginning of the previous calendar year or the beginning of the current calendar year may implement the special arrangement for cash accounting of VAT (hereinafter special arrangement). A taxable person must keep the calculation of the threshold on a cash basis and the taxable supply does not take into account the transfer of fixed assets and the incidental transfer of immovable as goods.

According to the procedure in force until 31.12.2010, the cash accounting of VAT could only be applied by a sole proprietor without taking into account the amount of taxable supply per year.

## Determination of the time of registration for VAT purposes

A person that wishes to implement the special arrangement must keep records of the registration obligation threshold (40,000 euros since 1 January 2018) on the cash basis. VAT must be added to the transaction with which the threshold is exceeded in the extent of the entire transaction.

### Example. Keeping records of the registration obligation threshold

Goods were dispatched	20.01	In the amount of 30,000 euros	Payment 17.02	In the amount of 30,000 euros
Service was provided	10.02	In the amount of 5,000 euros	Payment 18.03	In the amount of 5,000 euros
Goods were dispatched	01.04	In the amount of 5,100 euros	Payment 01.05	In the amount of 5,100 euros
<b>Total 40,100 euros</b>			<b>Total 40,100 euros</b>	

Therefore, in the case of cash accounting, the supply exceeded 40,000 euros on 1 May (in the application of the general rules on 1 April). The taxable person must add VAT to all invoices of the same day (1 May).

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# Application of the special cash accounting arrangement

All persons liable to VAT whose taxable supply did not exceed 200,000 euros in the previous calendar year or as of the beginning of the current calendar year may choose to apply the special arrangement for cash accounting of VAT.

The Estonian Tax and Customs Board should be notified of the wish to apply the special arrangement either upon submission of an application for registration as a person liable to VAT or no later than during the period of taxation preceding the application of the special arrangement.

More information: [special arrangement for cash accounting for VAT](#)

## Informing the Estonian Tax and Customs Board

You can submit a notification on the implementation of the special arrangement:

- ✓ **in the e-services environment e-MTA**

In order to submit a notification, the user must have access permissions in the e-services environment e-MTA. In order to **grant access permissions**, a person who is authorised must enter the e-MTA **in the role of a representative** and choose **Settings – Access permissions – Access permissions of representatives**. On the access permissions' administration page, the personal identification code of the user to be authorised must be entered and the access permission under the section "Separate permissions" titled "Submitting applications for registration as a person liable to value added tax (KMKR)" must be selected.

As a person authorised to submit a notification, select **Registers and inquiries – Registration of the VAT liable person – New application – Application of special arrangements for cash accounting for VAT**.

- ✓ by e-mailing it to [emta@emta.ee](mailto:emta@emta.ee) (the application must be digitally signed), or

- ✓ **at a service bureau of the Estonian Tax and Customs Board.**

The notification can be submitted by a signatory or an authorised person of the VAT payer.

If the notification is submitted by an authorised person, a document certifying the authorisation must be added to the e-mail as an attachment or submitted at the service bureau.

We will notify you by e-mail of granting or refusing the right to apply cash-based VAT accounting no later than five working days after receipt of the notification. If there is no e-mail address, we will send the notification by SMS.

## Reminder for cash-based VAT payers

In this guide you will find information about the deadlines that are important for persons liable to VAT, advice on submitting VAT returns and contacts to get VAT advice and assistance if necessary.

As a VAT payer, you have the right to deduct from the VAT calculated the VAT due on goods and services purchased for the purposes of taxable supply (input VAT). The right to deduct input VAT arises upon payment for goods or services acquired for the purposes of taxable supply in business, i.e. if there is no payment for the acquisition of goods or services, there is no right to deduct input VAT. Upon partial payment for the acquisition of goods or services, you have the right to deduct input VAT in the part paid for the goods or services.

If there is no business activity or if the goods and services have been acquired for the purposes of supply exempt from tax, the input VAT cannot be deducted.

## Obligations of VAT payer

As of the date of registration as a taxable person, a person must perform the obligations of a taxable person, including:

- ✓ adding the amount of VAT to the taxable value of the goods transferred or services provided;
- ✓ issuing invoices in accordance with the requirements of § 37 of the VAT Act, muuhulgas peab kassapõhise arvestuse pidaja arvele lisama märke „kassapõhine arvestus”;
- ✓ preserving documents and maintaining records;
- ✓ calculating the amount of VAT due and paying the VAT.

## VAT payer's calendar

Date	Obligation	Who submits
20th day of each month	Submission of VAT return (form KMD) and the annex to the VAT return (form KMD INF) Payment of VAT	All persons liable to VAT
20th day of each month	Submission of report on intra-Community supply (form VD)	Persons liable to VAT who sell goods or provide certain services to persons liable to VAT in other countries of the EU
10th day of each month	Submission of declaration of income and social tax, unemployment insurance premiums and contributions to mandatory funded pension (form TSD) Payment of taxes and contributions on the basis of the form TSD	All persons liable to VAT

**NB!** If the due date prescribed for performance of the obligation falls on a public holiday or other day off, the first working day following the day off shall be deemed to be the due date.

Within six months of registration, the Estonian Tax and Customs Board informs all new taxable persons by e-mail of the due dates for submitting forms KMD and TSD.

## About the submission of tax returns

- ✘ The VAT period of taxation is a calendar month.
- ✘ If the number of calendar days of the first taxation period is less than 15 (for example, if you are registered for VAT purposes from the 18th day), the supply from the first period may be declared together with the supply from the following taxation period by submitting one VAT return for two taxation periods.
- ✘ All return forms can be submitted electronically in the e-services environment e-MTA. More information about access permissions can be found on the web page [“Granting and termination of access permissions”](#).
- ✘ The submission of a VAT return (form KMD) and its annex (KMD INF) on paper is allowed only to persons who have been taxable persons for VAT purposes for less than 12 months and do not include more than 5 invoices in the annex to the VAT return. Persons who have been liable to VAT for more than 12 months and/or include more than 5 invoices in the annex to the VAT return may submit the VAT return and its annex on paper only on the basis of a reasoned application submitted to the Tax and Customs Board.

- ✘ Submission of form TSD on paper is permitted only if no more than 5 lines have been completed in Annex 1 to the TSD, i.e. no more than five recipients are declared.

## Verification of VAT identification numbers of business partners

- ✘ **Value added tax identification (VAT) number search**
- ✘ **European Union value-added tax identification number (VIES VAT number) validation**

## Additional information

More VAT information from the Estonian Tax and Customs Board:

- ✓ information phone for business clients: **+372 880 0812** (Mon–Thu 9.00–16.30, Fri 9.00–15.30)
- ✓ e-mail address: **ariklient@emta.ee**

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## Discontinuing the special arrangement for cash accounting

In order to discontinue the special arrangement for cash VAT accounting, the Estonian Tax and Customs Board (ETCB) must be notified.

To discontinue the special arrangement voluntarily (the taxable supply has not exceeded 200,000 euros since the beginning of the year), a taxable person must notify the ETCB at the latest during the taxation period prior to the discontinuation.

If a taxable person is required to discontinue implementation of special arrangement (supply of the taxable person exceeds 200,000 euros as of the beginning of the year), the ETCB must be notified at the latest in the first taxation period from which the implementation of special arrangement was discontinued.

**You do not need to submit a separate notification if you want to delete yourself from the VAT register. By deleting a VAT payer from the register, the VAT payer will also discontinue implementing special arrangement for cash VAT accounting.**

## Informing the Estonian Tax and Customs Board

You can inform the ETCB about the discontinuation of special arrangement for cash accounting:

✓ **via e-MTA**

In order to submit the notice, users must have necessary access permissions in the e-services environment. To **grant access permissions**, a person who is authorised must enter the e-MTA in **the role of a representative** and select **Settings – Access permissions – Access permissions of representatives**. On the access permissions' administration page, the personal identification code of the user to be authorised must be entered and the access permission under the section "Separate permissions" titled "Submitting applications for registration as a person liable to value added tax (KMKR)" must be selected.

**To submit the notice** as the person authorised, select **Registers and inquiries – Registration of the VAT liable person – New application – Notice on the application of the special scheme for cash-based VAT accounting**.

✓ by e-mailing it to [emta@emta.ee](mailto:emta@emta.ee) (the application must be digitally signed), or

✓ **at a service bureau of the Estonian Tax and Customs Board.**

The notice can be submitted by VAT payer's signatory or an authorised person.

If the notice is submitted by an authorised person, a document certifying the authorisation must be added to the e-mail as an attachment or submitted at the service bureau.

We will notify you by e-mail of granting or refusing the right to apply cash-based VAT accounting no later than five working days after receipt of the notice. If there is no e-mail address, we will send the notification by SMS.

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# Taxable person with limited liability

According to subsection 3 of § 3 of the VAT Act, **a person liable to value added tax with limited liability** is a person, except a natural person not engaged in business, who is registered or required to register as a taxable person with limited liability (§ 21 of the VAT Act). A taxable person with limited liability of another Member State is a person, including a pool of assets or association of persons without the status of legal person, who is registered for value added tax in that Member State and whose tax liabilities correspond to the tax liabilities of a taxable person with limited liability.

The term includes a person who is or is required to register as a taxable person with limited liability. As a rule, a taxable person with limited liability pays VAT only on the intra-Community acquisition of goods and services (and also on the importation of goods), but he does not add VAT to the goods or services which he transfers, nor does he have the right to deduct input VAT.

Persons who acquire goods from another Member State (over 10,000 euros per calendar year in value) or receive the services listed in subsection 5 of § 10 of the VAT Act from a foreign trader (whether in another Member State or in a country outside the EU) are registered as taxable persons with limited liability. These persons may be persons engaged in business who are not registered as taxable persons (e.g. companies creating supply exempt from tax), legal persons not engaged in business (such as non-profit organisations) or state, rural municipality or city authorities.

Natural persons are not considered to be taxable persons with limited liability, except for natural persons engaged in business who acquire goods or services for their own use.

A taxable person with limited liability of another Member State is a person who, in accordance with the legislation of that country, is registered as a taxable person with limited liability and whose obligations correspond to the obligations of the Estonian taxable person with limited liability.

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## 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 § 2<sup>1</sup> 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 2<sup>1</sup> 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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## 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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# Deletion of a taxable person with limited liability from register

If a taxable person with limited liability is a person engaged in business, he has the right to submit an application for registration as a taxable person (§ 20 of the VAT Act). If a taxable person with limited liability is registered as a taxable person pursuant to § 20 of the VAT Act, he will be deleted from the register as a taxable person with limited liability (subsection 1 of § 23 of the VAT Act) and all the rights and obligations of the taxable person will be extended to him.

A taxable person with limited liability may, under certain conditions, be deleted as a taxable person with limited liability from the register of taxable persons on the basis of an application. The taxable person with limited liability must have been registered in the register of taxable persons for at least two years before deletion. He may then submit an application for deletion from the register. The prerequisite is that the total value of his intra-Community acquisitions in the last calendar year has not exceeded and, according to his calculations, does not exceed the threshold of 10 000 euros of intra-Community acquisition of goods in the current calendar year (subsection 2 of § 23 of the VAT Act).

Since the obligation to register as a taxable person with limited liability also arises when certain services are received from a foreign trader, before submitting an application for deletion from the register, consideration should also be given to the possible purchase of services, otherwise the person will be obliged to register as a taxable person with limited liability again immediately upon receipt of the first such service.

The tax authority will, on its own initiative, delete a taxable person with limited liability from the register of taxable persons if it has information that the taxable person with limited liability has ceased his activities in Estonia (subsection 3 of § 23 of the VAT Act).

Before deciding the deletion from the register on the basis of an application, the tax authority will, if necessary, check the economic activities of the taxable person with limited liability. A taxable person with limited liability will be deleted from the register as a taxable person with limited liability on the basis of a decision of the head of the tax authority as of the date specified in the decision (subsection 4 of § 23 of the VAT Act).

If the basis for deletion from the register was not registration as a taxable person, the person is released from the obligations of the taxable person with limited liability (declaration and payment of VAT) upon deletion from the register and loses the right to exercise the rights of the taxable person with limited liability (the right to purchase goods from another Member State at the zero rate applied by the seller using the registration number).

# Registration and deletion

Submit an application to the Estonian Tax and Customs Board for registration as a person liable to VAT or deletion from the register of persons liable to VAT.

The application can be submitted in the **e-services environment e-MTA**, in the **e-Business Register**, **by e-mail or at a service bureau**. The application can also be submitted through a notary.

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## In e-MTA

**The application can be submitted by:**

- ✓ the signatory of a legal person,
- ✓ the legal representative of a state, rural municipality or city authority,
- ✓ a sole proprietor and
- ✓ their authorised representative.

### ACCESS PERMISSIONS FOR SUBMITTING THE APPLICATION

In order to submit the application in e-MTA, the user must have the access permission "Submitting applications for registration as a person liable to value added tax (KMKR)".

In order to grant **access permissions**, a person who is authorised must enter **e-MTA** in the role of a **representative** select **Settings – Access permissions – Access permissions of representatives**. On the access permissions' administration page, the personal identification code of the user to be authorised must be entered and the access permission under the section **Separate permissions** titled **Submitting applications for registration as a person liable to value added tax (KMKR)** must be selected.

In the "My access permissions" section, you will see your access permissions (permissions for using e-

MTA services), you can terminate them and delegate them (if the access permission can be delegated), i.e. transfer the access permission for representing yourself to another person.

## SUBMITTING APPLICATIONS

In order to submit an application in **e-MTA** as the authorised person, select **Registers and inquiries – Registration – Registration of the VAT liable person – New application**.

### **Video guide for submitting an application in e-MTA**

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## In e-Business Register

An economic operator can submit the application for registration as a person liable to VAT in **e-Business Register** as a part of the first entry petition of a private limited company.

The application for VAT registration is sent from the e-Business Register to the Tax and Customs Board using the X-tee data exchange layer service after the economic operator has been entered in the register.

**Previously registered economic operators** can be registered for VAT purposes in **e-MTA**.

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## By e-mail or at a service bureau

You can also submit an application for registration as a person liable to VAT or deletion from the register of persons liable to VAT:

- ✓ by e-mailing it to **emta@emta.ee** (the application must be digitally signed), or

- ✓ **at a service bureau** of the Estonian Tax and Customs Board.

The application can be submitted by a signatory or authorised person of the VAT payer.

If the application is submitted by an authorised person, a document certifying the authorisation must be attached to the e-mail or submitted at the service bureau.

## Application forms

**Application for registration as a person liable to VAT | 191.3 KB | pdf**

**Application for registration as a person liable to VAT with limited liability | 185.28 KB | pdf**

**Application for registration as a value added tax group | 107.71 KB | pdf**

**Application of special arrangements for cash accounting for VAT (in Estonian) | 142.81 KB | pdf**

**Application of discontinuation of special arrangements for cash accounting for VAT (in Estonian) | 208.97 KB | pdf**

**Application for deleting a person from the VAT register (in Estonian) | 158.37 KB | pdf**

**Application for deleting a person liable to VAT with limited liability | 114.04 KB | pdf**

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# VAT number validation

## ✘ **Estonian VAT number validation (KMKR)**

Use to check whether a person, such as your transaction partner, is registered as a person liable to VAT in Estonia. In order to make a query, the personal identification code, registry code, non-resident code or VAT identification number of the person being checked must be entered. If a registration is found, the result will contain the following data: name and commercial register number of the VAT payer, VAT identification number, the date of registration and deletion from the register.

## ✘ **EU VAT number validation (VIES)**

By using this search tool you can check if a person such as your business partner is registered as a VAT payer in any European Union Member State and if the VAT identification number is valid. You must enter the person's value-added tax identification number to submit your query.

## ✘ **Structure and formats of numbers (Q11)**

