MAKSU- JA TOLLIAMET

Registration as a VAT payer

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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
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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** 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 verifys 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 Ggoup, 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 пroup 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 2^1–2^3 of § 38 of the Value Added Tax Act must cover the whole VAT group.

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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.

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