

Supply, taxable at 0% VAT rate – goods

The goods with 0% VAT rate are listed in subsection 3 of § 15 of the VAT Act.

The VAT rate of the following goods shall be 0% of the taxable value:

1) exported goods, excluding cases where the supply of such goods is exempt from tax pursuant to § 16 of the VAT Act;

2) goods where their transfer and transport to another Member State or transport to another Member State without transfer is deemed to be intra-Community supply of goods. This provision does not apply in cases where the supply of goods is exempt from tax pursuant to § 16 of the VAT Act or the acquirer of the goods, except for new means of transport or excise goods, or the transferor of own goods to another Member State has no valid VAT registration number issued in the other Member State or the supply of such goods is not reflected in the report on intra-Community supply of goods pursuant to § 28 of the VAT Act.

Thus, the transferor of the goods or a person who transports his own goods to the other Member State can apply 0% VAT rate, if he knows the VAT registration number of the acquirer of the goods or, if he transports his own goods, he has VAT registration number also in that other Member State.

3) sea-going vessels navigating in international waters, except pleasure craft used for purposes other than those of business interests, and equipment, spare parts, fuel and other supplies used on such sea-going vessels and goods to be transferred to passengers for consumption on board, except goods sold on board sea-going vessels during passenger transport in Union waters to be taken away.

0% VAT rate shall be applicable for all goods, specified in abovementioned provision, transported to a sea-going vessel navigating in international waters, including a sea-going vessel to be repaired.

4) aircraft used by an air carrier operating mostly on international routes and equipment, spare parts, fuel and other supplies used on such aircraft and goods to be transferred to passengers for consumption on board, except goods sold on board of such aircraft during intra-Community passenger transport to be taken away.

0% VAT rate shall be applicable also for the goods, transferred for the transport to a sea-going vessel or aircraft and treated as stores – including goods to be transferred to passengers on the board of a sea-going vessel or aircraft during intra-Community passenger transport to be taken away, not only for goods to be transferred to passengers for consumption on board. For application of 0% VAT rate, the transferor must have the proof that the goods were transported to a sea-going vessel or aircraft as stores.

The goods to be transferred to passengers on board of a vessel or aircraft to be taken away are taxable

with the standard VAT rate in the country from which the vessel or aircraft departed. Thus, on the route from Tallinn to Helsinki the goods transferred to passengers on board are taxable with the Estonian VAT rate and on the route from Helsinki to Tallinn – with the Finnish VAT rate.

The VAT Act and EU VAT Directive don't determine, which indicators should be taken for granted for valuation of relative importance of international and domestic flights. According to the European Court Judgment in Case C-382/02, every Member State determines itself who is an air carrier operating mostly on international routes. In estimation of the Estonian Ministry of Finance and the Estonian Tax and Customs Board, if international flights form no less than 51% of the total supply of an air carrier, such air carrier can be treated as an air carrier operating mostly on international routes. For correct VAT calculation, the airports located in Estonia must know relative importance of international flights only for the Estonian air carriers. The airport services, provided to the air carriers of other countries, are taxable at 0% VAT rate.

Regular flights and charter flights both are treated as international flights.

5) goods transferred and transported to another Member State to a diplomatic representative, a consular agent (except an honorary consul), a representative or representation of a special mission or an international organisation recognised by the Ministry of Foreign Affairs, headquarters of an international organisation, a diplomatic representation, a consular post, a special mission or a Union institution.

Upon the application of 0% VAT rate it's not important, are the goods transferred and transported to another Member State to an Estonian diplomatic representative or consular agent or to a foreign diplomatic representative or consular agent.

5¹) goods transferred to a Union institution located in Estonia on condition that the total value of the goods without value added tax makes up at least 53 euros pursuant to the invoice, except in the case of public utility services and fuel within the meaning of the Liquid Fuel Act.

As of 1 January 2022, the VAT Act specifies that the VAT incentives granted to the institutions of the European Union (EU) also apply to agencies and bodies established under Union law. Agencies and bodies established under EU law are legal entities separate from other EU institutions and are set up to carry out specific tasks under EU law. EU agencies and bodies are international organisations to which the Protocol on the privileges and immunities of the European Union applies. They must benefit from tax incentives to the same extent and on the same basis as the EU institutions.

5²) goods transferred to the European Commission or to an agency or body established under Union law in the performance of the tasks under the Union law in response to a COVID-19 pandemic, unless those goods are acquired for resale for consideration.

If the conditions for applying the 0% VAT rate no longer apply, the European Commission, agency or body, which acquired the goods or services taxed at 0% VAT rate must notify the tax authority thereof

and pay VAT on the specified goods or services at 0% value added tax upon the lapse of the conditions for taxation pursuant to the procedure and under the conditions established on the basis of subsection 3 of § 39 of the VAT Act.

6) goods transferred and transported to another Member State which is a Member State of the North Atlantic Treaty Organisation (hereinafter: NATO) and intended for the performance of the duties of the armed forces of any other NATO Member State or the civilian staff accompanying them if such armed forces take part in the common defence effort, or to international military headquarters.

* Read also **[“Value added tax incentives applicable to diplomats, foreign missions, international organisations, EU institutions and armed forces of foreign states”](#)**

Beginning from 1 July 2022, the 0% VAT rate also applies to goods transferred and delivered to another Member State and intended for the performance of the duties of the armed forces of any other Member State or the civilian staff accompanying them, if the mentioned armed forces take part in the common defence effort implementing the measures of the European Union in the framework of the common security and defence policy.

6¹) goods transferred to international military headquarters located in Estonia if the tax incentives are laid down in an international agreement ratified by the Riigikogu, or for the performance of the duties to the armed forces of a NATO Member State participating in the common defence effort, except Estonia, and the civilian staff accompanying them.

Beginning from 1 July 2022, the 0% VAT rate also applies to goods transferred in Estonia to the armed forces and their accompanying civilian staff, for the performance of their duties, of a Member State (except Estonia) participating in defence activities carried out for implementing the measures of the European Union in the framework of the common security and defence policy.

In cases specified in clauses 5–6¹, the document in proof of the supply with the 0% VAT rate shall be the value added tax exemption certificate established by Council Implementing Regulation (EU) No 282/2011 (subsection 5¹ of § 15 of the VAT Act).

7) repealed from 7 July 2017. The term “bonded warehouse” is not in use any more. The goods located in a free zone are treated as the goods placed under the customs procedure now – because of this it’s not necessary to expand in separate clauses “placing in a free zone” and “placing under the (certain) customs procedure”;

8) non-Union goods placed under the customs procedure of customs warehousing, free zone, inward processing, transit or temporary importation with total relief from import duties or non-Union goods in temporary storage on the condition that the goods have not been unlawfully removed from under customs supervision and have not been consumed or used in the cases other than those prescribed in the customs legislation within the meaning of the Customs Code;

9) Union goods transferred and transported to a free zone for export purposes and Union goods placed in a free zone which are exported directly from the free zone within two months as of the transportation to the free zone.

* Read also **“Export of goods via a free zone”**

10) gold transferred to Eesti Pank.

* Read also **“Tax warehousing”**

11) the goods specified in Annex V to the EU VAT Directive if the goods are immediately placed in a tax warehouse or have been placed in a tax warehouse (§ 44¹ of the VAT Act) and the transaction does not involve termination of tax warehousing. Since 1 April 2012 this provision shall not apply to fuel released for consumption for the purposes of the Alcohol, Tobacco, Fuel and Electricity Excise Duty Act if the fuel has been placed in the excise warehouse.

0% VAT rate shall be applicable for the supply in a tax warehouse (or in any other place, accepted by customs authorities) of the goods specified in Annex V to the EU VAT Directive (except the fuel released for consumption which has been placed in the excise warehouse at the same time) on the condition that the transaction does not involve taking the goods out of the tax warehouse. Only temporary taking out of the goods is allowed upon the permission of the tax authority (see also § 44¹ of the VAT Act). If the transaction involves immediate placing of the goods in a tax warehouse (including the transporting the goods, already placed in a tax warehouse, from one tax warehouse to another), such supply also shall be taxable at 0% VAT rate. In the last case it's important that the goods stay in the tax warehousing regime.

* Read also **“Tax warehousing”**

12) excise goods under excise duty suspension arrangement placed in an excise warehouse if the transaction does not involve taking the goods out of the excise warehouse, except transporting the excise goods from one excise warehouse to another.

Taxation of the transfer of goods in an excise warehouse: According to clause 12 of subsection 3 of § 15 of the VAT Act, excise goods under excise duty suspension arrangement placed in an excise warehouse are taxable at 0% VAT rate if the transaction does not involve taking the goods out of the excise warehouse, except transporting the excise goods from one excise warehouse to another.

Since 1 April 2012 it's important whether the transferable goods are in excise paid regime or in excise not paid regime. Transactions for the transfer of goods (for example, fuel) in an excise warehouse where the goods are in excise paid regime (are released for consumption) are taxable at 24% VAT rate. If it is the transaction for the transfer of goods under excise duty suspension arrangement inside an excise warehouse, i.e. the transaction does not involve taking the goods out of the excise warehouse, the transaction is taxable at 0% VAT rate. If the transaction involves transporting the excise goods under

excise duty suspension arrangement from one excise warehouse to another, such transaction is also taxable at 0% VAT rate.

If the domestic transaction for the transfer of goods involves taking the goods under excise duty suspension arrangement out of the excise warehouse, i.e. release for consumption, the sale is taxable at 24% VAT rate as a regular supply (subsection 1 of § 15 of the VAT Act). If the same goods are placed in a excise warehouse again, all transactions for the transfer of such goods are taxable at 24% VAT rate – the transactions for the transfer of goods inside excise warehouse, the transactions for the transfer of such goods which involve transporting the excise goods from one excise warehouse to another and also domestic transactions for the transfer of the goods which involve taking the goods out of the excise warehouse.

13) goods that are transferred in a canteen, cafeteria or mess of an international military headquarters under the condition prescribed in an international agreement ratified by the Riigikogu.

Thus, the supply of a canteen, cafeteria or mess acting at an international military headquarter is taxable at 0% VAT rate and shall be declared in line 3 of VAT return (form KMD).

14) goods the import of which is exempt from tax under the conditions provided for the application of customs duty relief in accordance with Commission Decision established on the basis of Article 76 of Council Regulation (EC) No 1186/2009 setting up a Community system of reliefs from customs duty (OJ L 324, 10.12.2009, pp. 23–57);

15) goods which are transferred to a person holding an online marketplace if he is deemed to be the purchaser of the goods pursuant to subsection 1³ of § 4 of the VAT Act.

Regardless of the provisions of clause 1 of subsection 3 of § 15 of the VAT Act, tax exemption is applied instead of 0% VAT rate in the following cases (subsection 6 of § 15 of the VAT Act):

1. export of similar goods replacing goods which were returned to Estonia after export within the meaning of the Customs Code if the goods to be replaced were returned to Estonia under a tax exemption on the basis of subsection 2 of § 17 of the VAT Act;
2. export of goods imported into Estonia under 0% VAT rate on the basis of subsection 3 of § 15 of the VAT Act or under a tax exemption on the basis of § 17 of the VAT Act.

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