REPUBLIC OF ESTONIA
TAX AND CUSTOMS BOARD

Taxation of services

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The concept of service

According to the Value-Added Tax Act (VAT Act), things, livestock, gas, electric power, heat and refrigeration are goods. The supply of services is any other transaction other than the transfer of goods in the course of business.

According to clause 3 of subsection 3 of § 2 of the Value-Added Tax Act, **services are** the provision of benefits in the course of business or the transfer of rights (including securities which are not goods) and obligations to refrain from economic activity, to waive the exercise of a right or to tolerate a situation for a charge. Software and information transmitted by electronic means, and data media carrying software or information that are especially compiled or adjusted according to the purchaser's specifications are also services.

For example, construction, rental of goods, patents, obligation to do something, obligation not to do something, as well as brokering of goods in the name or at the expense of another person are regarded as a service. As a general rule, packing of goods is also considered a service even if the supplier makes the necessary packaging. The lease of goods is the sale of a service. If the lessee becomes the owner of the leased object under the contract at the end of the lease period, it is considered sale of the goods.

The provision of services free of charge by a taxable person liable to value added tax (hereinafter the taxable person) to an employee, servant or member of a management or control body is also deemed to be provision of services. The use of goods belonging to the assets used in business by a taxable person or an employee, servant or member of the management or control body of a taxable person for private purposes or for other purposes not related to business is also deemed to be a service. The provision of services in the aforementioned cases is taxed as self-supply. The service of using goods is considered as taxable self-supply if the taxable person has deducted the input VAT of these goods from its VAT (subsection 6 of § 2 of the VAT Act).

Handbook Article last update 08.01.2025

The place of supply of a service

Under the basic tax rule for the taxation of services, services are taxed in the recipient's country of residence. The recipient of the service pays VAT in his or her country, i.e. the services are subject to reversed tax liability. The VAT Act also specifies services that are not subject to reversed tax liability.

The determination of the place of supply of services is also influenced by whether the recipient of the service is a person who is not registered as a taxable person or a taxable person with limited liability or is a third country person not engaged in business.

If the service provider is registered as a person liable to VAT in Estonia and provides the service under an Estonian VAT registration number, the place of supply for these services is defined in accordance with the Estonian VAT Act. View the Summary of the definition of the place of supply of services and declaration in the VD report

Handbook Article last update 08.01.2025

The place of supply is Estonia

SERVICES THE PLACE OF SUPPLY OF WHICH IS ESTONIA AND WHICH ARE TAXED IN ESTONIA

According to subsection 1 of § 10 of the VAT Act, the place of supply of services is Estonia if the services are provided to a taxable person or taxable person with limited liability registered in Estonia or if the services are provided through a seat or permanent business establishment located in Estonia to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business (except in the cases specified in subsections 2, 4 and 5 of § 10 of the VAT Act).

Subsection 2 of § 10 of the VAT Act provides a list of when the place of supply of a service is Estonia:

1) services are connected with an immovable located in Estonia, including construction, valuation or maintenance, or services for the transfer of the immovable, for preparing or co-ordinating construction works, and accommodation services;

2) cultural, artistic, sporting, educational, scientific or entertainment services or services connected with trade fairs or exhibitions are provided in Estonia to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business. The services also include the organisation of the related events and provision of ancillary services;

2¹) entrance services to cultural, artistic, sporting, educational, scientific or entertainment events or trade fairs or exhibitions or ancillary services related to entrance services are provided in Estonia to a taxable

person or taxable person with limited liability of another Member State or to a third country person engaged in business;

3) transport services related to the carriage of passengers, including their personal luggage and personal means of transport is provided in Estonia;

4) restaurant and catering services are provided in Estonia, except in cases provided in clause 5 of subsection 2 and clause 5 of subsection 4 of § 10 of the VAT Act;

5) restaurant or catering services are provided during the carriage of passengers taking place within the Community territory on board of such a vessel or aircraft departing on an international route from Estonia;
(According to clause 5 of subsection 2 of § 10 of the VAT Act, the place of supply is Estonia, if restaurant or catering services are provided during the carriage of passengers taking place within the Community territory on board of such a vessel or aircraft departing on an international route from Estonia and, according to clause 5 of subsection 4 of § 10 of the VAT Act, the place of supply is not Estonia if the vessel or aircraft is departing on an international route from another Member State.)

6) means of transport are hired or leased or a usufruct is established thereon in Estonia on a short-term basis;

6¹) means of transport are hired or leased or a usufruct is established thereon to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business whose seat or place of residence is in Estonia, except in the cases provided in clauses 6 and 6^2 of subsection 2 and clause 4^1 of subsection 4 of § 10 of the VAT Act;
(According to the above, when a means of transport is hired, leased or usufruct is established on a long-term basis to the aforementioned person, the place of supply of the service is **the place of location or residence of the recipient of the service.** If the place of location or residence is Estonia, the place of supply of the service is also Estonia.)

6²) pleasure or recreational craft are hired or leased or a usufruct is established thereon in Estonia to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business and the service provider's seat or permanent business establishment is in Estonia, except in the cases provided in clause 6 of subsection 2 of § 10 of the VAT Act;
(An exception is the provision of long-term rental services for recreational and pleasure craft, where the place of supply of the service is the place where the supplier has established its business or has a permanent establishment, if the vessel is actually made available to the lessee from that place of business or permanent establishment. Therefore, the place of supply of the service is Estonia, if the recreational or pleasure craft is given for long-term lease, hire or a usufruct is established to the above-mentioned person and the location or permanent place of business of the service provider is Estonia.)

7) work is performed with movables located in Estonia or movables located in Estonia are valued and the services are provided to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business;

8) transport services for goods are provided in Estonia, including the carriage of means of transport related to the carriage of goods, or such transport of goods is organised to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business. This provision does not apply to the cases provided in clause 9 of subsection 2 and clause 6 of subsection 4 of § 10 of the VAT Act;

9) transport services for transporting goods from Estonia to another Member State are provided, including the carriage of means of transport related to transport of goods or such transport of goods is organised to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business;
(According to clause 9 of subsection 2 of § 10 of the VAT Act, the place of supply is Estonia, if services of transporting goods from Estonia to another Member State are provided, and according to clause 6 of subsection 4 of § 10 of the VAT Act, the place of supply is not Estonia if services of transporting goods are provided from another Member State to Estonia or outside Estonia. If the recipient of the service is a person who is not registered as a taxable person or a taxable person with limited liability in any of the Member States or a third-country person engaged in business, the place of supply is the country from which the transport begins.)

10) ancillary services related to transport of goods are provided in Estonia to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business;

11) a transaction or other act the place of supply of which is Estonia is mediated and the intermediation service is provided to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business.

In the case of services referred to in points 2 and 7 to 11 of the list, the place of supply is Estonia:

- ✓ **if services are provided in Estonia to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business;**

- ✓ **if the service is provided to a person who is registered as a taxable person or taxable person with limited liability in Estonia (according to the provisions of subsection 1 of § 10 of the VAT Act).**

An Estonian taxable person who provides the above-mentioned services in Estonia is also obliged to pay and declare the tax in Estonia. If the service provider is a foreign person who does not have a permanent

establishment in Estonia, taxable supply arises upon provision of the service in Estonia and if the taxable person or taxable person with limited liability does not tax it upon receipt of the service, the foreign person must register as a taxable person as of the date on which taxable supply arises (subsection 3 of § 19 of the VAT Act).

In addition, pursuant to subsection 1 of § 10^1 of the VAT Act, the place of supply is Estonia if a person who has his or her place of residence or location in Estonia and who is not registered as a taxable person or taxable person with limited liability in any Member State is provided an electronic communications service within the meaning of the Electronic Communications Act or electronically supplied services.

(Beginning from 01.01.2019, the place of supply is not Estonia, if:

1. *such service is provided by a foreign business operator having its registered office or permanent establishment in only one Member State, with the exception of Estonia,*
2. *the total supply of electronic communications services and electronic services provided by the service provider to persons not registered as taxable persons in Member States other than the Member State of establishment or permanent establishment of the service provider did not exceed 10,000 euros in the previous calendar year and does not exceed 10,000 euros in the current calendar year, and*
3. *the service provider has not voluntarily identified the Member State of the recipient as the place of supply.)*

Handbook Article last update 08.01.2025

The place of supply is not Estonia

SERVICES AT THE PROVISION OF WHICH THE PLACE OF SUPPLY IS NOT ESTONIA

Subsection 4 of § 10 of the VAT Act sets out a list of services for which the place of supply is not Estonia and if provided by an Estonian taxable person an obligation to register in the country of provision of the service may arise.

The place of supply is not Estonia:

1) services connected with an immovable located in a foreign country, including construction, valuation

and maintenance, and services for the transfer of the immovable, for preparing or coordinating construction works, and accommodation services are provided;

2) cultural, artistic, sporting, educational, scientific or entertainment services or services connected with trade fairs or exhibitions are provided in a foreign country to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business. The services also include the organisation of related events and provision of ancillary services;

2¹) entrance services to cultural, artistic, sporting, educational, scientific or entertainment events or trade fairs or exhibitions or ancillary services related to entrance services are provided in a foreign country to a taxable person or taxable person with limited liability or to a third country person engaged in business;

3) work is performed with movables located in a foreign country or movables located in a foreign country are valued and the services specified in this clause are provided to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business;

4) transport services related to the carriage of passengers, including their personal luggage and personal means of transport are provided outside Estonia;

4¹) means of transport is hired or leased or a usufruct is established thereon in a foreign state on a short-term basis;

4²) means of transport is hired or leased or a usufruct is established thereon to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business and whose seat or place of residence is in a foreign country, except in the cases provided in clauses 4¹ and 4³ of subsection 4 and clause 6 of subsection 2 of § 10;
(According to the above, when a means of transport is hired, leased or usufruct on a long-term basis to the aforementioned person, the place of supply of the service is the place of location or residence of the recipient of the service. If the place of location or residence is a foreign country, the place of supply of the service is also the foreign country.)

4³) pleasure or recreational craft are hired or leased or a usufruct is established thereon in a foreign country to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business and the service provider's seat or permanent business establishment is in a foreign country, except in the cases provided in clause 4^{1} of subsection 4 of § 10;
(An exception is the provision of long-term rental services for recreational and pleasure craft, where the place of supply of the service is the place where the supplier has established its business or has a permanent establishment, if the vessel is actually made available to the lessee from that place of

business or permanent establishment. Therefore, the place of supply of the service is a foreign country, if the recreational or pleasure craft is given for long-term lease, hire or a usufruct is established to the above-mentioned person and the location or permanent place of business of the service provider is the foreign country).

5) restaurant or catering services are provided during the carriage of passengers taking place in the Community territory on board of such a vessel or aircraft or in a train departing on an international route from another Member State;

5¹) restaurant or catering services are provided in a foreign country, except in the cases where, during the carriage of passengers within the territory of the Community, restaurant or catering services are provided on board of such a vessel or aircraft or in a train departing on an international route from Estonia or another Member State;

6) transport services for goods from another Member State to Estonia or outside Estonia are provided, including the carriage of means of transport related to the carriage of goods, or such carriage of goods is organised to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business;

7) ancillary services related to transport of goods are carried out outside Estonia to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business;

8) a transaction or other act the place of supply of which is not Estonia is mediated and the intermediation service is provided to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business;

In the case of services referred to in points 2, 3 and 6 to 8 of the list, the place of supply is not Estonia:

- ✓ **if services are provided to a person who is not registered as a taxable person or taxable person with limited liability in any of the Member States or who is not a third country person engaged in business;**

- ✓ **if the service is provided to a person registered as a taxable person or a taxable person with limited liability in another Member State (according to subsection 1 of § 10 of the VAT Act), i.e. the place of supply is the country where the recipient of the service has registered as a taxable person.**

9) services are provided in the cases not specified in clauses 1–8 and subsection 2 of § 10 through a seat or permanent business establishment in Estonia to a taxable person or taxable person with limited

liability registered in another Member State or to a third country person engaged in business.

Thus, the place of supply is not Estonia and the service is taxed in the country of residence of the recipient if:

1. work is performed with movables located in Estonia or movables located in Estonia are valued and the services are provided to a person who is registered as a taxable person or taxable person with limited liability in another Member State or who is a third country person engaged in business;
2. transport services are provided in Estonia, including the carriage of means of transport related to transport service, or such transport of goods is organised and the service is provided to a person who is registered as a taxable person or taxable person with limited liability in another Member State or who is a third country person engaged in business;
3. transport services of goods from Estonia to another Member State are provided, including the carriage of means of transport related to transport service, or such transport of goods is organised to a person who is registered as a taxable person or taxable person with limited liability in another Member State or who is a third country person engaged in business;
4. an ancillary service related to the transport of goods is provided in Estonia to a person registered as a taxable person or taxable person with limited liability in another Member State or who is a third country person engaged in business;
5. a transaction or other act the place of supply of which is Estonia is mediated and the intermediation service is provided to a person who is registered as a taxable person or taxable person with limited liability in another Member State or who is a third country person engaged in business.

The service provider in Estonia taxes supply at a 0% tax rate.

Additionally, according to subsection 4 of § 10^{1} of the VAT Act, the place of supply is not Estonia if an electronic communications service or electronically supplied service is provided to a person who is established or residing in another Member State and who is not registered as a taxable person or taxable person with limited liability in any Member State.

Lisaks sellele vastavalt KMS § 10^{1} lõikele 4 käibe tekkimise koht ei ole Eesti, kui osutatakse elektroonilise side teenust või elektrooniliselt osutatavat teenust teises liikmesriigis asu- või elukohta omavale isikule, kes ei ole üheski liikmesriigis registreeritud maksukohustuslasena ega piiratud maksukohustuslasena.

(Beginning from 01.01.2019, the place of supply is Estonia, if:

1. such service is provided by a business operator having its registered office or permanent establishment only in Estonia,
2. the total supply of electronic communications services and electronic services provided by the service provider to persons not registered as taxable persons did not exceed 10,000 euros in the previous calendar year and does not exceed 10,000 euros in the current calendar year, and

3. the service provider has not voluntarily identified the Member State of the recipient as the place of supply.)

Handbook Article last update 08.01.2025

Taxation and declaration of supply of services

Determination of the place of supply of services, value added tax rate and declaration »

Handbook Article last update 03.07.2025

Services connected with an immovable

In the case of services related to immovable property, the place of taxation of supply of services is the country where the immovable property is located. According to clause 1 of subsection 2 of § 10 of the VAT Act, the place of supply of services is Estonia if the services are connected with an immovable located in Estonia, including construction, valuation or maintenance, or services for the transfer of the immovable, for preparing or co-ordinating construction works, and accommodation services. The place of supply of services is not Estonia (clause 1 of subsection 4 of § 10 of the VAT Act) if an Estonian taxable person provides the same services, but connected with an immovable located in a foreign country.

Services connected with an immovable are, for example:

- ✓ construction and installation work, including repair and maintenance work
- ✓ on-site supervision service, design, project planning, construction or other equivalent service
- ✓ land and soil studies

- ✓ logging and vegetation harvest
- ✓ cleaning, window cleaning, waste collection or other property maintenance
- ✓ property management (both technical and financial)
- ✓ provision of expert opinions or other equivalent services
- ✓ leasing, renting or establishment of a usufruct, e.g. renting rooms in the hotel industry, etc.
- ✓ leasing, renting or establishment of a usufruct on equipment or machinery or safes installed on a fixed basis
- ✓ intermediation service related to the sale or rental of immovable property.

If the immovable is located in Estonia, the place of supply of services related to immovable property is Estonia. This also applies if the service provider is a foreign entrepreneur.

Example
The owner of the immovable has repair work carried out at his or her building located in Estonia. The service is ordered from a foreign construction company that does not have a permanent establishment in Estonia. The place of taxation of the service is Estonia, as the immovable is located in Estonia. If, for example, the person ordering the service for immovable property is a natural person who is not a taxable person, the foreign person is required to register as a taxable person as of the date on which the taxable supply arises (subsection 3 of § 19 of the VAT Act). If the service is ordered from a foreign construction company by a person registered as a taxable person or taxable person with limited liability in Estonia, the Estonian taxable person pays VAT on the basis of clause 2 of subsection 4 of § 3 of the VAT Act and the foreign construction company, i.e. the service provider, does not have to register as a taxable person in Estonia.

Example
An Estonian real estate agent organises the sale of real estate in a foreign country. Both the buyer and the seller reside in Estonia. Although the parties to the service are two Estonian persons, the place of supply is the foreign country where the immovable is located and taxation is carried out on the basis of the law of that foreign country. The real estate agent, i.e. the service provider, may be required to register as a taxable person in the country in which the immovable property is located.

Handbook Article last update 08.01.2025

Culture, art, sport, education, science

TAXATION OF CULTURAL, ARTISTIC, SPORTING, EDUCATIONAL, SCIENTIFIC OR ENTERTAINMENT SERVICES OR SERVICES CONNECTED WITH TRADE FAIRS OR EXHIBITIONS, THEIR ORGANISATION AND PROVISION OF ANCILLARY SERVICES

As of 1 January 2011, supply related to cultural activities is deemed to have taken place in Estonia if the activity is carried out in Estonia and the service is provided to an Estonian person or person who is not registered as a taxable person or taxable person with limited liability in any Member State or to a third country person not engaged in business. When providing a service to a taxable person or taxable person with limited liability of another Member State or to a third country person engaged in business, the basic rule applies and the service is taxed in the country of location of the recipient of the service.

The following are considered cultural activities:

- ✓ cultural activities, theatre performances, concerts, circus performances, etc.
- ✓ organising a sports competition
- ✓ entertainment
- ✓ education/training
- ✓ scientific services
- ✓ related event management services and ancillary services

The term "ancillary services" refers primarily to less important services that are necessary for the provision of the services listed above. Examples include production services, security services, etc. necessary for performances. The place of taxation of ancillary services is the same country as for main services.

Ancillary services necessary for the provision of services do not include advertising and newspaper advertisements.

Beginning from 1 January 2011, § 10 of the VAT Act was supplemented with 2^1, according to which the place of supply is Estonia, if entrance services to cultural, artistic, sporting, educational, scientific or entertainment events or trade fairs or exhibitions or ancillary services related to entrance services are provided in Estonia to a taxable person or taxable person with limited liability of another Member State

or to a third country person engaged in business. The place of supply is not Estonia if the mentioned entry service is provided in a foreign country.

Therefore, the basic rule does not apply to short-term entrance services (tickets) and related ancillary services, and taxation is carried out according to the venue of the event. As an ancillary service, wardrobe service and the use of a toilet can be noted.

Handbook Article last update 08.01.2025

Work performed with movables located in Estonia and outside Estonia

Work performed with movables or valuation of movables is taxed in Estonia, if it is done in Estonia and the services are provided to an Estonian person or to a third country person not engaged in business. If the service is provided to a taxable person of another Member State or a person from a third country engaged in business, the place of supply is the country of residence of the recipient of the service and the Estonian taxable person declares the service at a 0% tax rate.

If an Estonian taxable person works with movables or valuates movables located in a foreign country, when providing these services to another Estonian taxable person, the place of supply is Estonia and it is taxed at a 24% tax rate. When providing a service to a taxable person or taxable person with limited liability of another Member State or to a third country person engaged in business, the place of supply is not Estonia and the Estonian taxable person indicates a 0% taxable supply on the invoice. VAT is paid by the recipient of the service in its country of location. When providing a service to a non-taxable person or a person from a third country not engaged in business, the place of supply is the country where the service is provided, and the tax laws of that country must be followed.

Examples of work performed with movables:

- ✓ assembly or installation
- ✓ repair, service and maintenance work
- ✓ processing, modification and painting

- ✓ improvement (quality improvement) and restoration
- ✓ melting and casting
- ✓ printing works
- ✓ inspection and expertise
- ✓ evaluation, including in relation to an insured event

Example
A repair shop located in Estonia repairs a vehicle registered and used in Estonia by a Finnish company. Since the transport company has notified its Finnish taxable person's number, the place of supply of the repair service is considered to be abroad. The provider of services indicates on the invoice the recipient's taxable person's number issued in Finland and taxes the supply at a rate of 0% (subsection 4 of § 15 of the VAT Act). The obligation to pay the tax is transferred to the Finnish taxable person in its country.

Example
An Estonian company located in Estonia receives fabric from a Swedish company located in Sweden to make suits, which are then sent back to Sweden. Both the Estonian and Swedish companies are taxable persons in their country. The service (work performed with movables) is carried out in Estonia for a customer who informs its taxable person's number in another Member State. This means that the supply of the service is deemed to have taken place abroad. The service is declared at 0% tax rate in Estonia (subsection 4 of § 15 of the VAT Act).

Example
An Estonian company located in Estonia sends fabric to a French company located in France. The Estonian and French companies are registered as taxable persons in their country. The French company has to make suits out of the fabric. The suits are sent back to Estonia to the same Estonian company. The French company provides a service. The Estonian company has notified its taxable person's number. This means that the supply of the service is deemed to have taken place in Estonia and the company will be liable to value added tax on the purchased service.

Similarly with providing services for the repair of movables (e.g. work under guarantee) to a taxable person or taxable person with limited liability in another Member State, the repair services provided to a third country person engaged in business are also taxed at a rate of 0%.

Unlike the previous, work is taxed at a rate of 0% on movable property which has been acquired from Estonia or transported to Estonia for the purpose of the provision of the service and which, after the provision of the service, is transported out of the Community (clause 12 of subsection 4 of § 15 of the

VAT Act). Under § 15 of the VAT Act, the application of the 0% rate does not give rise to a reverse charge obligation, since both the provider and the recipient of the service tax the service at a rate of 0%.

Handbook Article last update 10.07.2025

Hiring or leasing means of transport or establishing a usufruct thereon in Estonia on a short-term basis

The place of supply of a service is Estonia if a means of transport is leased, hired or a usufruct is established thereon in Estonia for a short period of time.

The short-term hiring, leasing or establishing a usufruct on means of transport is taxed by the service provider under the law of the country in which the means of transport is located at the time of the lease, hire or establishing a usufruct. If a means of transport registered in Estonia is leased, hired or a usufruct is established thereon in Estonia for a short period of time, the service is taxed in Estonia.

If a means of transport is leased, hired or a usufruct is established thereon in a foreign country for a short period of time, the place of supply is not Estonia.

In the meaning of § 10 of the VAT Act, means of transport (except for a vessel) is considered to be given for short-term hire, lease or a usufruct is established thereon, if the service is provided for a period not longer than 30 calendar days. A vessel is considered to be given for short-term hire, lease or a usufruct is established thereon, if the said service is provided for a period not longer than 90 calendar days.

In the meaning of the VAT Act, “means of transport” means a vehicle, aircraft, vessel or other means of transport with a code in the Combined Nomenclature (CN-code) established by Council Regulation No 2658/87/EEC beginning with the numbers 86, 87, 88 or 89 (subsection 6 of § 10 of the VAT Act).

If an Estonian taxable person hires, leases or establishes a usufruct on a means of transport for a long period of time to a taxable person or taxable person with limited liability of another Member State or to a third country person engaged in business, the place of supply is not Estonia and a 0% tax rate will be indicated on the invoice.

Taxation

In the case of all the mentioned services where the service is provided in a foreign country or where the immovable is located in a foreign country or the means of transport is in a foreign country at the moment of short-term hiring and where the place of supply is not Estonia, the following recommendations must be followed when taxing the supply of services:

a) If an Estonian taxable person provides services taxable in a foreign country to a person who is not registered as a taxable person or taxable person with limited liability in any Member State or is not a third country person engaged in business, the service provider generally has an obligation to register in that foreign country and must follow the tax laws of the relevant foreign country.

b) If an Estonian taxable person provides services taxable in a foreign country to a taxable person or taxable person with limited liability of that country or to a third country person engaged in business, the obligation to register as a taxable person does not arise if the foreign country applies the reverse charge mechanism upon payment of the tax. Here, too, the tax laws of the foreign country must be followed.

c) If the service is provided in a foreign country under the Estonian taxable person's number, taxable services in the case of which the place of supply is not Estonia must be declared in the Estonian VAT return with a 0% tax rate, regardless of to whom the service is provided.

d) If an Estonian taxable person uses its taxable person's identification number of another Member State at the provision of a service, the service is exempt from tax instead of a 0% VAT rate (subsection 6^1 of § 15 of the VAT Act). In this case, tax exemption means that the service provided in another Member State is not declared in Estonia.

e) If an Estonian taxable person provides tax-exempt services of immovable property in another Member State, the supply of tax-exempt services provided abroad does not need to be declared in Estonia.

Handbook Article last update 08.01.2025

Taxation of services specified in subsection 5 of § 10 of the VAT Act

Unlike what was previously provided by law, the definition of the services mentioned in subsection 5 of § 10 of the VAT Act (which are mostly intangible i.e. services provided remotely) is important in two cases:

1. if these services are provided to a third country person not engaged in business, and
2. if these services are received by an Estonian person who is obliged to register as a person liable to VAT with limited liability.

If an Estonian taxable person provides the services specified in subsection 5 of § 10 of the VAT Act to a third country person not engaged in business, the place of supply is not Estonia and the services are taxed at a 0% tax rate. When providing these intangible services to a taxable person or taxable person with limited liability of another Member State or to a third country person engaged in business, the basic rule applies at taxation and the recipient of the service is obliged to pay the tax in its country.

The list set out in subsection 5 includes the following services:

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, waiving the exercise of a right or tolerating a situation for a charge.

Handbook Article last update 08.01.2025

Carriage of passengers

Passenger carriage services are taxed in Estonia if the service is provided in full in Estonia. Passenger carriage services that are wholly provided in a foreign country are taxed at a 0% tax rate. With regard to the taxation of passenger carriage services at a rate of 0%, it is irrelevant whether the transport service is provided in a Member State or in a third country. If the carriage of passengers in Estonia constitutes a part of international transport of passengers, the entire service is taxed at a 0% tax rate (clause 13 of subsection 4 of § 15 of the VAT Act). For the taxation of passenger carriage services at a 0% tax rate, it is important that the place of departure and destination of the service are located in the territories of different countries. Transport services related to the carriage of passengers includes the transport of their personal luggage and personal means of transport.

Example
Person X has purchased a travel service from travel company Y on the route Tartu-Riga. The travel service starts in Tartu and also includes X's trip to Pärnu, where she transfers to the Pärnu–Riga bus on the same day. Travel company Y that sold the trip to her, had purchased the passenger transport service between Tartu and Pärnu from travel company A and the transport service between Pärnu and Riga from travel company B. The service sold by travel company Y to person X is taxed at a 0% rate because it sold the trip on its own behalf as a direct trip and the place of departure and destination indicated on the ticket is in different countries. The trip sold to travel company Y by travel company A between Tartu and Pärnu is domestic supply taxable at 24% and the travel service sold by travel company B from Pärnu to Riga is a direct trip without intermediate stops and is taxable at 0%

In the case of passenger services, the country of departure and the country of destination will be determined according to the information indicated on the ticket. If an international trip is interrupted for technical reasons, such as failure of the means of transport, this does not make the trip taxable at a rate of 24%.

If during the carriage of passengers within the territory of the Community, restaurant or catering services are provided on board a vessel, aircraft or train departing from Estonia on an international route, the place of supply is Estonia.

According to clause 2 of subsection 4 of § 15 of the VAT Act, the service necessary for the trip (including catering) provided to a passenger during an international trip on board of a ship or aircraft is taxed at a 0% rate — thus restaurant and catering services are taxable at a 0% rate.

Restaurant or catering services provided on the basis of train passenger transport in the Community territory are taxable at a rate of 24%. Outside the territory of the Community, the service is taxable at a rate of 0%.

If, during passenger transport on the territory of the Community, a restaurant or catering service is provided on board a vessel or aircraft or on a train departing from another Member State on an

international route, the place of supply is not Estonia, regardless of the recipient of the service.

On the basis of clause 1 of subsection 4 of § 15 of the VAT Act, a service the place of supply of which is not Estonia is taxed at a rate of 0%.

Handbook Article last update 03.07.2025

Transport services for goods and organisation of such transport

Contrary to what was previously provided by law, goods transport services and services for the organisation of such transport are taxed in the same way as all other services if the recipient of the service is registered as a taxable person or taxable person with limited liability in a Member State or in a non-Community country. If an Estonian taxable person provides transport services to another taxable person or taxable person with limited liability in Estonia, the place of supply is Estonia regardless of where the transport takes place and the Estonian taxable person adds 24% value added tax to the invoice. If an Estonian taxable person receives transport services for goods from a taxable person from another country, the recipient of the service is obliged to pay VAT in Estonia.

If the transport service for goods is provided in Estonia or the service for transporting goods from Estonia to another Member State is provided, including the transport of a means of transport related to the carriage of goods, or such transport of goods is organised or an ancillary service related to the transport of goods is provided in Estonia

- ✓ to a person who is not registered as a taxable person or a taxable person with limited liability in any Member State, or is not a third country person engaged in business, or
- ✓ to a person registered as a taxable person in Estonia,

the place of supply is Estonia and VAT at the rate of 24% must be added to the invoice.

The place of supply is not Estonia, if the transport service for goods is provided from another Member State to Estonia or outside of Estonia, including the transport of a means of transport related to the carriage of goods or the service of organising such transport or an ancillary service related to the

transport of goods outside Estonia:

- ✓ to a person who is not registered as a taxable person or a taxable person with limited liability in any Member State, or is not a third country person engaged in business

- ✓ to a person who has registered as a taxable person or a taxable person with limited liability in another Member State.

Example
A Lithuanian taxable person orders transport service for goods from an Estonian taxable person, and the goods move from Tallinn to Pärnu. When ordering the transport, the recipient of the service has provided its Lithuanian taxpayer registration number, and the Estonian taxpayer submits the invoice with a 0% tax rate (clause 9 of subsection 4 of § 10 of the VAT Act). The tax liability is fulfilled by the Lithuanian company in its own country.

Example
1) An Estonian taxable person receives an invoice from a Finnish taxable person for the transport service of carrying goods from Helsinki to Vantaa. The Finnish taxable person submits an invoice with a 0% tax rate. The service recipient is obliged to pay VAT in Estonia (subsection 1 of § 10 of the VAT Act).
2) An Estonian taxable person receives an invoice from another Estonian taxable person for the transport service of carrying goods from Helsinki to Vantaa. The place of supply is Estonia, and the service provider issues an invoice with a 24% tax rate to the service recipient (subsection 1 of § 10 of the VAT Act).

Example
An Estonian natural person buys a furniture set from Finland and orders transport service for the goods from an Estonian taxable person. The content of the service is a transport service from another Member State to Estonia, and tax liability may arise based on Finnish tax laws, since the transport service starts in Finland (clause 6 of subsection 4 of § 10 of the VAT Act). If the service provider does not have to register as a taxable person in Finland and provides the service under the Estonian taxable person’s number, then the invoice is presented to the person ordering the transport, i.e. the natural person, with a tax rate of 0%. If the service is provided under a Finnish taxable person's number, this supply is not shown on the Estonian VAT return (subsection 6^1 of § 15 of the VAT Act).

Handbook Article last update 03.07.2025

Specific provisions of § 15 of the VAT Act on taxation of transport services for goods

The above examples assume that either the service provider or the recipient of the service has an obligation to pay tax on the provided goods transport services in their own country. At the same time, the goods transport services specified in clauses 8–11 of subsection 4 of § 15 of the VAT Act are taxed at a 0% rate regardless of to whom the service is provided and the 0% tax rate applies to both the service provider and the recipient, i.e. these services are not subject to reverse charge and these services are not to be indicated on the intra-Community supply report.

The following services are specified in clauses 8–11 of subsection 4 of § 15 of the VAT Act:

8) transport service for goods placed under an external transit procedure, services for the organisation of such transport of goods and ancillary services related to such transport of goods if the carriage is a part of the carriage which begins or ends in a third country;

9) the service for the transport of goods, the service for the organisation of the transport of goods and ancillary services related to such transport of goods provided for the export of goods;

10) the service for the transport of goods, the service for the organisation of the transport of goods and ancillary services related to such transport of goods provided for the import of goods, if the cost of these services is included in the taxable value of the imported goods;

11) carriage of goods to the Azores or Madeira or from the Azores or Madeira to Estonia or another Member State.

NB! From 01.07.2022, the services specified in clauses 8, 9 and 10 will **always** be taxed at a 0% VAT rate **only if they are provided to the consignor or consignee.** Also, from 01.07.2022, the transport service provided for delivery to the customs territory of the European Union, the service of organising such transport of goods and ancillary services related to such transport of goods of:

- ✓ 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,

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if these services are provided to the consignee or the consignor of the goods will **always** be taxed at a 0% VAT rate.

If the aforementioned services are provided to a person registered as a taxable person or taxable person with limited tax liability in another Member State, or to a third country person engaged in business, who is not the consignor or consignee, the 0% VAT rate is applied according to the so-called basic rule (the place of supply of the service is not Estonia, but the country of location of the recipient of the service).

Handbook Article last update 08.01.2025

Parking service in a private car park, incl. fee charged for parking in violation of parking conditions

Following the judgment of the European Court of Justice in Case C-90/20, a private company engaged in the handling of private car parks is required to calculate and pay value added tax (VAT) on the entire parking fee. The fee charged for the provision of parking services where a car has been parked in breach of the conditions of use of the car park must also be subject to VAT as a charge for regular parking services, for which the European Court held that it could not be described as a contractual penalty within the meaning of the VAT rules.

If a vehicle is parked in an area where parking conditions apply, including a fee and/or a fee in the event of non-compliance with the parking conditions, any charges which the person parking is required to pay in connection with parking will be regarded as consideration for the service provided to the person and are subject to VAT in Estonia from 01.01.2023 onwards.

A claim for late payment of the parking fine determined by the local government is not deemed to be a fee for the service, as the local government does not provide parking services. The parking fee established on the basis of a rural municipality or city council regulation is a local tax, not a fee for parking services, which is why the tax treatment is also different.

Contractual penalties imposed for parking in violation of parking conditions which are essentially charges for parking services will be taxed on the basis of the time of supply which is determined in

accordance with the general rule of subsection 1 of § 11 of the Value Added Tax Act. If the total amount, exclusive of VAT, of such contractual penalties imposed on the same person during the taxable period, together with the total amount, exclusive of VAT, of other sales invoices submitted to that person during the same taxable period, is at least 1,000 euros, the invoices concerning the contractual penalties must also be indicated in the annex KMD INF to the VAT return. A contractual penalty which is deemed to be fee for a service must comply with the requirements set out in § 37 of the Value Added Tax Act.

The amount of VAT indicated on the received contractual penalty claim may be deducted as input VAT from the VAT due, taking into account the general conditions and limitations of input VAT deduction set out in the Value Added Tax Act.

Handbook Article last update 08.01.2025

Summary of the declaration of supply of services in the VD report

SUMMARY OF DETERMINATION OF THE PLACE OF SUPPLY OF SERVICES AND DECLARATION IN THE VD REPORT

According to the provisions of subsection 1 of § 28 of the VAT Act, a taxable person must submit a report on intra-Community supply if it provides services specified in clause 9 of subsection 4 of § 10 of the VAT Act, to a taxable person or taxable person with limited tax liability of another Member State, the place of supply of which is not Estonia and which are subject to taxation, except these subject to taxation at a 0% tax rate, in the Member State of the recipient of the service. The taxable value of the services to be declared is indicated in column 5 of the report on intra-Community supply (form VD).

Services received from another Member State the recipient of which is registered as a taxable person or a taxable person with limited tax liability in Estonia are declared in box 1 and informative box 6 of the VAT return.

The place of supply in the provision of services to a taxable person of a Member State (including an Estonian taxable person) or a third country person engaged in business

- ✓ Basic rule (subsection 1 and clause 9 of subsection 4 of § 10 of the VAT Act), including cultural, artistic, sporting and other corresponding services – from 01.01.2011 the country of location of the

- recipient of the service, VD report must be submitted

- Services related to immovable property (clause 1 of subsection 2 and clause 1 of subsection 4 of § 10 of the VAT Act) – the country where the immovable property is located, VD report is not submitted

- Domestic transport services related to the carriage of passengers (clause 3 of subsection 2 and clause 4 of subsection 4 of § 10 of the VAT Act) – the country where the service is provided, VD report is not submitted

- Means of transport is hired or leased or a usufruct is established thereon on a short-term basis (clause 6 of subsection 2 and clause 4^1 of subsection 4 of § 10 of the VAT Act) – the country where the means of transport is located at the time of hiring, leasing or establishing a usufruct thereon, VD report is not submitted

- Entrance services to cultural, artistic, sporting, educational, scientific or entertainment events or trade fairs or exhibitions or ancillary services related to entrance services (clause 2^1 of subsection 2 and clause 2^1 of subsection 4 of § 10 of the VAT Act) – the country where the service is provided, VD report is not submitted

- Restaurant and catering services (clause 4 of subsection 2 and clause 5^1 of subsection 4 of § 10 of the VAT Act) – the country where the service is provided, VD report is not submitted.

The place of supply in the provision of services to a person not registered as a taxable person or taxable person with limited tax liability in any of the Member States or is not a third country person engaged in business

- Basic rule (subsection 1 of § 10 of the VAT Act; provision through a seat or permanent business establishment) – the country of location of the provider of the service

- Services related to immovable property (clause 1 of subsection 2 and clause 1 of subsection 4 of § 10 of the VAT Act) – the country where the immovable property is located

- Domestic transport services related to the carriage of passengers (clause 3 of subsection 2 and clause 4 of subsection 4 of § 10 of the VAT Act) – the country where the service is provided

- Transport services for carrying goods in Member States – the country where the transport of goods begins

- Ancillary services related to transport of goods (subsection 8 of § 10 of the VAT Act) – the country where the service is provided

- Work with movable property (clause 7 of subsection 2 and clause 3 of subsection 4 of § 10 of the VAT Act) – the country where the service is provided

- Means of transport is hired or leased or a usufruct is established thereon on a short-term basis (clause 6 of subsection 2 and clause 4^1 of subsection 4 of § 10 of the VAT Act) – the country where the means of transport is located at the time of hiring, leasing or establishing a usufruct thereon

- Means of transport is hired or leased or a usufruct is established thereon on a long-term basis (clause 6^1 of subsection 2 and clause 4^2 of subsection 4 of § 10 of the VAT Act) – the country of location or residence of the recipient of the service

- Pleasure or recreational craft is hired or leased or a usufruct is established thereon on a long-term basis (clause 6^2 of subsection 2 and clause 4^3 of subsection 4 of § 10 of the VAT Act) – location or permanent business establishment of the service provider, if the craft is placed at the lessee's disposal from the same location or permanent business establishment

- Services, entrance services related to cultural, artistic, sporting, educational, scientific or entertainment events or trade fairs or exhibitions or ancillary services related to entrance services (entrance service or ancillary service related to entrance service, subsection 2 of § 10 of the VAT Act; clause 2 and 2^1 of subsection 4 of § 10 of the VAT Act) – the country where the service is provided

- Restaurant and catering services (clause 4 of subsection 2 of § 10 of the VAT Act) – the country where the services are provided

- Intermediation services (clause 11 of subsection 2 and clause 8 of subsection 4 of § 10 of the VAT Act) – country of location of the seller of the intermediated goods or services

- Intangible services:
  1) both the service provider and the recipient are located in a Member State (the Estonian taxable person adds 24%) – the country of location of the service provider
  2) the recipient of the services is located in a third country (the Estonian taxable person adds 0%) – the country of location of the service recipient
  3) an electronic communication service or an electronic service is provided by a third country person to an Estonian natural person – the country of location of the recipient of the service, if the service provider is not registered in any Member State.

Services that are taxed by both the provider and the recipient at a 0% tax rate, regardless of who is the recipient of the service. The services mentioned below are not indicated on the VD report

The following services specified in subsection 4 of § 15 of the VAT Act:

1. services necessary for the journey provided to passengers on board vessels or aircrafts during international transport of passengers;
2. port services to meet the direct needs of vessels navigating international waters;
3. navigation services and airport services directly connected to provision of service to aircraft used by an air carrier operating mostly on international routes;
4. the repair, maintenance, chartering and hiring of or establishment of a usufruct on sea-going vessels navigating in international waters, except pleasure craft used for purposes other than business, and aircraft used by an air carrier operating mostly on international routes, and the repair, maintenance and hiring of or establishment of a usufruct on equipment used on such vessels or aircraft;
5. intermediation, if the place of supply of the transaction being mediated is a third country, or the goods being mediated are the goods specified in clauses 1, 3–6 and 10 of subsection 3 of § 15 of the VAT Act, or the services being mediated are the services specified in clauses 2–4, 6, 9, 10, 12 and 14 of subsection 4 of § 15 of the VAT Act;
6. transport service for goods placed under an external transit procedure, services for the organisation of such transport of goods and ancillary services related to such transport of goods if the carriage is a part of a carriage which begins or ends in a third country;
7. the service for the transport of goods, the service for the organisation of the transport of goods and ancillary services related to such transport of goods provided for the export of goods;
8. the service for the transport of goods, the service for the organisation of the transport of goods and ancillary services related to such transport of goods provided for the import of goods, if the cost of these services is included in the taxable value of the imported goods;
9. carriage of goods to the Azores or Madeira or from the Azores or Madeira to Estonia or another Member State;
10. work with movables which are acquired from Estonia or brought to Estonia for the purpose of provision of such service and which are taken out of the Community after the service has been provided;
11. carriage of passengers specified in clause 3 of subsection 2 of § 10 of the VAT Act, including their personal luggage and personal means of transport, if the carriage of passengers in Estonia constitutes a part of international transport of passengers;
12. service provided to a person, representation, agency, special mission, Union institution or armed forces located in a foreign state specified in clause 5 or 6 of subsection 3 of § 15 of the VAT Act;
13. service provided 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 specified in clause 6^1 of subsection 3 of § 15 of the VAT Act and the civilian staff accompanying them;
14. service provided to a Union institution located in Estonia on condition that the total value of the goods without VAT makes up at least 53 euros pursuant to the invoice, except in the case of

public utility services and telecommunications services;

15. service that is provided by a canteen, cafeteria or mess of an international military headquarters under the condition prescribed in an international agreement ratified by Riigikogu.

NB! From 01.07.2022, the services specified in clauses 6, 7 and 8 will **always** be taxed at a 0% VAT rate **only if they are provided to the consignor or consignee.** Also, from 01.07.2022, the transport service provided for delivery to the customs territory of the European Union, the service of organising such transport of goods and ancillary services related to such transport of goods of:

- 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,

if these services are provided to the consignee or the consignor of the goods will **always** be taxed at a 0% VAT rate.

If the aforementioned services are provided to a person registered as a taxable person or taxable person with limited tax liability in another Member State, **who is not the consignor or consignee,** the 0% VAT rate is applied according to the so-called basic rule (the place of supply of the service is not Estonia, but the country of location of the recipient of the service) **and the service is declared on the VD report.**

Handbook Article last update 03.07.2025