REPUBLIC OF ESTONIA
TAX AND CUSTOMS BOARD

Taxation of services

Table of contents

Services connected with an immovable **3**

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.

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