



REPUBLIC OF ESTONIA
TAX AND CUSTOMS BOARD

Taxation of services

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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 values 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%.

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