

## **INFORMATION - Estonia**

### **Use and Enjoyment - VAT Directive 2006/112/EC - Article 59a**

In Estonia, there are no use and enjoyment rules applicable to telecommunications, broadcasting and electronic services provided to non-VAT taxable persons in accordance with Article 59a of Directive 2006/112/EC.

### **Time of supply / chargeability - Deferment and Cash Accounting Scheme - VAT Directive 2006/112/EC - Article 66**

In Estonia, the basic time of supply for goods and services is the earliest of the following events: the delivery of goods; the performance of services; or receipt of full or partial payment.

However, businesses with a VAT taxable turnover not exceeding EUR 200,000 per year may opt for VAT to become chargeable when payment is received from the customer (cash accounting scheme). When calculating the turnover threshold, the sale of fixed (capital) assets and incidental sale of immovable property is not taken into account. In case of cash accounting, if the payment is not received within two months from the time the service is provided, the supply is however considered to take place on the 1st day of the third month following the supply. Reference to the above may be found in Article 44 of the Estonian VAT Act.

### **Time of supply / chargeability - Continuous supplies - VAT Directive 2006/112/EC - Article 64(2)**

In Estonia, continuous supplies of services are generally regarded as being completed at the earlier of receipt of payment or the taxable period overlapping with the end of the period of time for which an invoice is submitted or during which payment for goods or services received is to be made as agreed, but not later than after twelve calendar months from when the service started.

Reference to the above may be found in Article 11(4) of the Estonian VAT Act. VAT on continuous supplies of telecommunications, broadcasting and electronic services provided to non-VAT taxable persons becomes generally chargeable when the service is provided or upon receipt of the full or partial payment for the service. Reference to the above may be found in Article 11(1) of the Estonian VAT Act.

### **Re-valuation of services at open market value - VAT Directive 2006/112/EC - Article 80**

In Estonia, services provided to related persons shall in certain cases be deemed to be provided at market value. These cases concern situations where the services at the price differing from market price are provided to a related person as defined in the Estonian Income Tax Act and at the same time there is a limitation to deduction of input VAT (as stated in VAT Directive Article 80). The Estonian Income Tax Act defines related persons as (inter alia):

- (i) spouses, cohabitants, direct blood or collateral relatives;
- (ii) person who owns at least 10% of the share capital, total number of votes or rights to the profits of the legal person;
- (iii) one person, together with other persons with whom the person is associated, owns more than 50% of the share capital, total number of votes or rights to the profits of a legal person;
- (iv) persons who own more than 25% of the share capital, total number of votes or rights to the profits of one and the same legal person;
- (v) employers and their employees, employee's spouses, cohabitants or direct blood relatives;
- (vi) member of the management or controlling body of a legal person, or the spouse or a direct blood relative of a member of the management or controlling body.

Reference to the above may be found in Article 12(14) of the Estonian VAT Act.

### **Bad Debt relief - VAT Directive 2006/112/EC - Article 90**

Bad debt relief is not available in Estonia.

### **Application of reduced VAT rates - VAT Directive 2006/112/EC - Article 98**

In Estonia, no reduced VAT rates apply with respect to telecommunications, broadcasting and electronic services provided to non-VAT taxable persons.

### **Standard VAT Rate - VAT Directive 2006/112/EC - Article 96-97**

In Estonia, the standard VAT rate is 20%.

### **Release from payment of insignificant amounts of VAT - VAT Directive 2006/112/EC - Article 212**

Estonia has not implemented a rule according to which taxable persons are released from payment of the VAT due to the fact that payable VAT amount is insignificant.

**Invoicing Obligations - Obligation to issue an invoice - VAT Directive 2006/112/EC - Articles 217-249**

In Estonia, there is no obligation to issue an invoice for telecommunications, broadcasting and electronic services provided to private individuals for private use (Article 37 (3) of the Estonian VAT Act). There is an obligation to issue a VAT invoice with respect to the supply of telecommunications, broadcasting and electronic services provided to non-VAT taxable legal persons (Article 37 (1) of the Estonian VAT Act).

**Invoicing Obligations - Content of an invoice - VAT Directive 2006/112/EC - Articles 217-249**

In case an invoice is issued, the invoice should be issued in accordance with Articles 37 (7) and (8) of the Estonian VAT Act corresponding to Directive 2006/112/EC with no specific language or additional requirements.

**Invoicing Obligations - Time limit for issuing an invoice - VAT Directive 2006/112/EC - Articles 217-249**

Not applicable given that there is no obligation to issue a VAT invoice in relation to telecommunications, broadcasting and electronic services provided to natural persons for private use.

**Invoicing Obligations - Summary Invoices - VAT Directive 2006/112/EC - Articles 217-249**

Not applicable given that there is no obligation to issue a VAT invoice in relation to telecommunications, broadcasting and electronic services provided to natural persons for private use.

**Invoicing Obligations - Electronic invoices - VAT Directive 2006/112/EC - Articles 217-249**

Not applicable given that there is no obligation to issue a VAT invoice in relation to telecommunications, broadcasting and electronic services provided to natural persons for private use.

**Invoicing Obligations - Batch of electronic invoices - VAT Directive 2006/112/EC - Articles 217-249**

Not applicable given that there is no obligation to issue a VAT invoice in relation to telecommunications, broadcasting and electronic services provided to natural persons for private use.

**Additional obligations deemed necessary for collecting VAT and preventing evasion (anti-avoidance measures) - VAT Directive 2006/112/EC - Article 273**

Estonia has not implemented any rules or anti-avoidance measures that may directly impact telecommunications, broadcasting and electronic services provided to non-VAT taxable persons.

**Stand-still scheme - Derogations for States which were members of the Community on 1 January 1978 - VAT Directive 2006/112/EC - Articles 370-391**

N/A

**Stand-still scheme - Derogations for States which acceded to the Community after 1 January 1978 - VAT Directive 2006/112/EC - Articles 370-391**

There are no provisions which are applicable under a Stand-still Scheme in the Estonian VAT legislation or subject to common practice in Estonia that may be relevant for telecommunications, broadcasting and electronic services provided to non-VAT taxable persons.

**VAT Treatment of vouchers**

In Estonia, there are no specific rules regarding the VAT treatment of vouchers. Vouchers are generally taxed upon usage.

**Exemptions - VAT Directive 2006/112/EC - Articles 132 & 135 (E-learning activities)**

In Estonia, the supply of pre-school, basic, vocational, secondary and higher education, including learning materials, private tuition relating to general education and other training services (except other training services provided for commercial purposes) are exempt from VAT.

Reference to the above may be found in Article 16(1)(6) of the Estonian VAT Act.

**Exemptions - VAT Directive 2006/112/EC - Articles 132 & 135 (Gambling activities)**

In Estonia, online gambling and similar activities (for instance e-betting) - including bonus points or additional credits earned in the context of gambling activities - are exempt from VAT.

Reference to the above may be found in Article 16(2)(7) of the Estonian VAT Act.

**Exemptions - VAT Directive 2006/112/EC - Articles 132 & 135 (General)**

In Estonia, electronic services that by their nature are similar to services that are exempt from VAT, are also exempt. Reference to the above may be found in Article 16(5) of the Estonian VAT Act.

**VAT Registration Process**

MOSS registration has been possible since 1 October 2014. Registration applications must be filed electronically. Depending on whether it concern non-EU or EU businesses, specific information/documents should be submitted.

## Access to web-portal and contact details of the local VAT Authorities

E-Tax Board/e-Customs can be accessed via the following link: <http://www.emta.ee/index.php?id=29761> and:

- 1) With ID card
- 2) With mobile ID
- 3) Via Internet bank
- 4) With user ID (using passwords issued by tax authority)

General Contact:

Ms Kaia Maltsaar

Chief Specialist of the Tax Department of the Estonian Tax and Customs Board

e-mail: [kaia.maltsaar@emta.ee](mailto:kaia.maltsaar@emta.ee)

Contact VAT obligations and reimbursements:

e-mail: [moss@emta.ee](mailto:moss@emta.ee)

## Appointment of a VAT Agent

In Estonia, non-EU businesses that have opted for the MOSS may not use a tax representative.

Reference to the above may be found in Article 43(21) of the Estonian VAT Act.

## Penalties for non-compliance (Failure to register and late registration)

Failure and late registration may result in penalties of up to EUR 3,200. Whether a penalty is applied may depend on the behaviour of the taxpayer.

Reference to the above may be found in Article 154 of the Estonian Taxation Act.

## Penalties for non-compliance (Non-payment and late payment of VAT)

For late payment of VAT, 0.06% interest on the amount due per day is applicable.

Reference to the above may be found in Articles 115-117 of the Estonian Taxation Act.

## Penalties for non-compliance (Non-submission and late submission of VAT returns)

If a return is submitted late, the tax authority may set a term for the submission of the return and issue a warning that a penalty payment may be imposed if the return is not filed within the notified term. The penalty payment shall not exceed EUR 1,300 after the first notification and EUR 2,000 after the second notification. Penalty payments imposed by a tax authority to enforce submission of a same return shall never exceed EUR 3,300. However, if the non-submission or late submission results in VAT being underpaid, the Tax Authority may charge a fine of up to EUR 32,000. Additionally, in case VAT returns are retroactively corrected and the payable VAT amount increases through the correction, late payment interest at the rate of 0,06% per day is calculated upon the tax amount due.

Reference to the above may be found in Articles 91, Articles 115-117 (late payment interest) and 153<sup>1</sup> of the Estonian Taxation Act.

## Penalties for non-compliance (Incomplete and incorrect VAT returns)

Penalty and/or late payment interest (depending on the nature of incorrect information) may apply in relation to incorrect VAT returns. Whether penalties apply depends on the behaviour of the taxpayer. If the return is not amended within the timeframe notified by the tax authority, the return shall be deemed not to have been submitted. In cases where incomplete or incorrect VAT returns results in underpaid VAT, the Tax Authority may apply fine up to 32,000 EUR. Additionally, in case VAT returns are retroactively corrected and the payable VAT amount increases through the correction, late payment interest at the rate of 0,06% per day is calculated upon the tax amount due. Reference to the above may be found in Article 91 (failure to submit/amend VAT returns), Articles 115-117 (late payment interest) and Article 153<sup>1</sup> (fines) of the Estonian Taxation Act.

Criminal action follows in cases where intentionally incomplete or incorrect VAT returns result in underpaid VAT or incorrect refund claim exceeding the amount of 40,000 EUR (i.e. exceeding major damage). Act which exceeds major damage is punishable by pecuniary punishment or up to five years' imprisonment; act which exceeds particularly great damage (over 400,000 EUR) is punishable by one to seven years' imprisonment. Reference to the above may be found in Article 389<sup>1</sup> of the Estonian Penal Code.

## Penalties for non-compliance (Non-compliance with invoicing and accounting obligations)

Penalty and/or late payment interest (depending on the nature of the information) applies. Whether a penalty is applied depends on the behaviour of the taxpayer.

Reference to the above may be found in Article 91 (failure to submit/amend tax returns), Articles 115-117 (late payment interest) and Articles 153<sup>1</sup> and 154 (fines) of the Estonian Taxation Act.