Registration as a person liable to VAT

Obligation to register as person liable to value added tax

If a self-employed person's supply of transactions specified in **subsection 3 of § 19[1] of the Value Added Tax Act (VAT Act)**, the place of supply of which is Estonia, exceeds 40,000 euros as of the beginning of a calendar year, the self-employed person is required to submit an application for registration as a **person liable to VAT** to the Estonian Tax and Customs Board within three working days as of the date of supply in the specified amount. The registration obligation does not arise if the entire supply of a self-employed person is supply exempt from tax and supply taxable at the zero per cent VAT rate (unless the supply arises from intra-Community supply of goods).

EXAMPLE

If the supply of a self-employed person exceeds 40,000 euros on the 2nd day, Friday, the application for registration as a person liable to value added tax is to be submitted to the Estonian Tax and Customs Board within three working days, i.e. on the 7th day, Wednesday. The Estonian Tax and Customs Board will register the person for VAT purposes on the day on which the threshold (40,000 euros) was exceeded. In this example, the self-employed person will be registered for VAT purposes as of the 2nd day of the month.
From the date of receipt of the application, the Estonian Tax and Customs Board has five working days to make a decision on the registration. In this example, the decision on the registration for VAT purposes must be notified to the self-employed person no later than on the 14th day of the month.

The Estonian Tax and Customs Board has the right to request supporting documents to prove the starting or existence of business activities. In such a case, the Estonian Tax and Customs Board makes a decision within five working days as from the submission of supporting documents.

Self-employed persons do not have to register as a person liable to value added tax if their supply arises only from the transfer of fixed assets used in their business. Self-employed persons have the obligation to register for VAT purposes, if they have no other supply since the beginning of the year than the supply from the transfer of goods exceeding 40,000 euros to a person of another Member State of the European Union that is liable to value added tax.

Voluntary registration

If self-employed person's supply of transactions specified in **subsection 3 of § 19[1] of the VAT Act** has not exceeded 40,000 euros or if such supply has not yet arisen, the self-employed person has the possibility to register as a person liable to VAT voluntarily. It is even recommended that self-employed persons should register themselves for VAT purposes earlier, before their supply reaches 40,000 euros. This would help to avoid problems with value added tax obligations, which arise immediately from the day on which the supply of 40,000 euros is exceeded, but the respective decision of the Estonian Tax and Customs Board has not yet reached the taxpayer and the VAT identification number is not yet known.

Should such a situation still occur, value added tax is still to be calculated on the supply generated between the date on which the application for registration as a person liable to value added tax is submitted and the date of the respective decision; if possible, the invoices should be issued later (within seven calendar days). The invoices issued in such a transition period and not meeting the requirements of **§ 37 of the VAT Act** must subsequently be brought into line with the requirements of the law, and this is also in the interests of customers, since input value added tax cannot be deducted on the basis of an incorrect invoice.

The condition of voluntary registration is the fact that a self-employed person is engaged or will be engaged in business that generates or will generate taxable supply. In this case, the self-employed person is registered as a person liable to value added tax as of the date of receipt of the application or a later date indicated in the application by the person.

If a person is not engaged in business or has no intention to start a business, the Estonian Tax and Customs Board does not register the person for VAT purposes.

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