Input value added tax

Persons registered for VAT are entitled to deduct the input value added tax from their value added tax calculated from the taxable value of their taxable supply, i.e. the value added tax to be paid on goods or services which the taxable person acquires or receives from another person liable to VAT for the purposes of their taxable supply, and the VAT paid or to be paid by the taxable persons on imported goods.

Example
In September, a self-employed person (a person liable to VAT, the general procedure of value added tax accounting) purchased goods in the amount of 64 euros (taxable value), whereto the value added tax 15.36 euros (64 × 24% = 15.36) was added.
The self-employed person resold the goods in September for 96 euros (taxable value of the goods), whereto the value added tax 23.04 euros (96 × 24% = 23.04) was added.
In the value added tax return for this period of taxation the self-employed person may deduct the value added tax (15.36 euros) to be paid on the goods purchased from another person liable to VAT from the value added tax (23.04 euros) calculated on the taxable value (96 euros) of his/her taxable supply.

In this example the self-employed person:

- ✓ calculated value added tax in the amount of 23.04 euros (96 × 24%);
- ✓ calculated input value added tax in the amount of 15.36 euros (64 × 24%);
- ✓ submitted the value added tax return (for September) by 20 October and by the same time paid 7.68 euros (23.04 – 15.36 = 7.68) into the bank account of the Estonian Tax and Customs Board.

The self-employed person declared the value added tax in the value added tax return as follows:

Acts and transactions taxable at the 22 % value added tax rate, including		1	96.00
Total VAT (24% from box 1 + 22% from box 1^2 + 20% from box 1^1 + 9% from box 2 + 5% from box 2^1 + 13% from box 2^2)	+	4	23.04
Total amount of input value added tax allowed to be deducted by law	–	5	15.36
The value added tax due (box 4 + box 4^1 – box 5 + box 10 – box 11)	+	12	7.68

The value added tax on services received from a foreign person engaged in business in a foreign state,

on goods acquired from a person liable to value added tax in another Member State of the EU and on the acquisition of other goods whereon value added tax is calculated pursuant to the Estonian Income Tax Act may be deducted as the input value added tax.

At the same time, a self-employed person shall take into consideration that if he/she uses goods or services both for the purposes of his/her business taxable supply and for the purposes not related to business (the activity as a natural person), then he/she may deduct the input value added tax on the goods or services used for the purposes of transactions related to the taxable supply in business only (**VAT Act, § 29 (4)**).

Input value added tax may be deducted from such goods or services only that have been acquired in the period when the self-employed person is registered as a person liable to value added tax. Input value added tax may not be deducted if goods or services are used for the purposes of supply exempt from tax or for purposes other than business.

Subsections 3–9 of § 30 of the VAT Act provide for the deduction of input VAT on a purchased passenger car and on costs incurred for the purpose of the passenger car. The VAT Act also contains the concept of the passenger car to which the restriction on the deduction of input VAT applies.

In the case of the acquisition of a passenger car, the restriction on deduction of input VAT is applied if the passenger car has been acquired after 1 December 2014. Above all, the restriction means that no more than 50% of the input VAT can be deducted upon the acquisition of a passenger car used for business purposes or the use for business purposes based on a contract of use. This restriction also applies to the purchase of goods and services for the passenger car, even if it was purchased before 1 December 2014. The restriction on input VAT does not apply to the acquisition of passenger cars if the car is acquired for the purpose of resale.

Last updated on 03.07.2025