Special arrangements for cash accounting for VAT

If a self-employed person's taxable supply did not exceed 200,000 euros in the previous calendar year or as of the beginning of the current calendar year (the transfer of fixed assets and the incidental transfer of immovable as goods are not taken into account), the self-employed person may keep records of value added tax (voluntary) on the cash basis if he/she so wishes. A very important prerequisite for the implementation of the special arrangement is a prior notification in writing of the Estonian Tax and Customs Board whether upon the registration as a person liable to value added tax or at the latest, during the taxation period prior to implementation of the cash accounting for value added tax.

If a self-employed person keeps accounts on a cash basis, the time of supply is deemed to be the date on which full or partial payment is received from the recipient of the goods or services.

Example
The self-employed person notified the Estonian Tax and Customs Board that he would keep his accounts on a cash basis from 1 May. He sold (dispatched) the goods on 25 May. Money for the sold goods was received on 10 June. Thus, the supply was created on 10 June.

The entitlement to the deduction of input value added tax on goods acquired or service provided for the purposes of taxable supply in business activities arises after the partial or full payment for the goods or services, i.e. if the goods acquired and services received are not paid for, there is no right to deduct input value added tax.

Example
A self-employed person acquired goods for taxable supply in business activities on 30 May, which were fully paid for on 6 June. In this case, the right to deduct the input value added tax will arise when submitting the value added tax return for June (the date of submission on 20 July).

A self-employed person who keeps value added tax accounting both on cash basis and using the accrual method has to **submit the value added tax return and appendix** (annex of the VAT return on form KMD INF) thereto by the twentieth day of the month following the taxable period.

WAIVER OF THE VAT ACCOUNTING ON CASH BASIS

Waiver of the VAT accounting on cash basis may be either voluntary or obligatory.

In the case of a voluntary waiver, i.e. a self-employed person's taxable supply did not exceed 200,000 euros as of the beginning of the current calendar year, the self-employed person has to notify in writing the Estonian Tax and Customs Board during the taxation period prior to the waiver at the latest.

Example

A self-employed person wishes to waive the VAT accounting on cash basis beginning from 1 September. In this case, the notification must be submitted not later than within August.

Self-employed persons have the obligation to waive the special arrangement if their taxable supply (the transfer of fixed assets and the incidental transfer of immovable as goods are not taken into account) exceeds 200,000 euros as calculated from the beginning of a calendar year. It is not allowed to apply special arrangement as of the first date of the calendar month following the generation of the supply. Upon obligatory waiving of the special arrangement, the self-employed person must inform in writing the Estonian Tax and Customs Board in the first taxation period from which the implementation of special arrangement was discontinued at the latest.

Example
The threshold of the taxable supply for a self-employed person using the special arrangement reaches in May. In this case, the self-employed person is obliged to submit a notification to the Tax and Customs Board in June at the latest.

Additional information

Data to be entered in a VAT return and instructions of filling out the return
Special arrangements for cash accounting for VAT
Application of the special cash accounting arrangement

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