

Supply, taxable at 0% VAT rate – services

The services with 0% VAT rate are listed in subsection 4 of § 15 of the VAT Act.

The VAT rate of the following services shall be 0% of the taxable value:

1) services where the place of supply is not Estonia, excluding cases where the supply of such services is exempt from tax pursuant to § 16 of the VAT Act;

2) the provision of services necessary for the journey to passengers on board of vessels or aircraft during the international transport of passengers.

According to this provision, 0% VAT rate shall be applicable for the services, directly connected to the transport of passengers by nature. For example, according to this provision 0% VAT rate shall be applicable for allowing use of the cabin of the vessel, catering services on board of vessels and aircraft, and also transport services related to the carriage of the luggage. 0% VAT rate can't be applicable for the entertainment services, provided on board of vessels, beauty services (hairdresser, beauty salon) and other similar services which are not directly connected to the transport of passengers by nature.

3) the provision of port services to meet the direct needs of vessels navigating international waters ;

4) the provision of navigation services and airport services directly connected to provision of service to aircraft used by an air carrier operating mostly on international routes;

5) repealed from 1 January 2006. Courier services shall be taxable like transport services for goods.

6) the repair, maintenance, chartering and hiring of or establishment of a usufruct on sea-going vessels navigating in international waters, except pleasure craft used for purposes other than business, and aircraft used by an air carrier operating mostly on international routes, and the repair, maintenance and hiring of or establishment of a usufruct on equipment used on such vessels or aircraft.

For the services related to aircraft – the use of the particular aircraft for the international flights is not decisive but the fact that the particular air carrier is operating mostly on international routes. But for the services related to the vessel is important that the particular vessel is navigating in international waters.

7) intermediation, if the place of supply of the transaction being mediated is a third country, or the goods being mediated are the goods specified in clauses 1, 3–6 and 10 of subsection 3 of § 15 of the VAT Act, or the services being mediated are the services specified in clauses 2–4, 6, 9, 10, 12 and 14 of subsection 4 of § 15 of the VAT Act.

According to this provision, 0% VAT rate shall be applicable for the intermediation services where the

place of supply is Estonia (see § 10 of the VAT Act). 0% VAT rate shall be applicable for the intermediation services where the place of supply is Estonia, if the place of supply of the transaction being mediated is a third country, and for the intermediation of the most of transactions where the place of supply of the transaction itself is Estonia but, even so, 0% VAT rate is applicable for the transaction.

8) transport service for goods placed under an external transit procedure, services for the organisation of such transport of goods and ancillary services related to such transport of goods if the carriage is a part of the carriage which begins or ends in a third country;

9) transport services for the export of goods, services for the organisation of transport of goods and ancillary services related to such transport of goods.

According to this provision, 0% VAT rate shall be applicable for the services, provided for the transport of the goods for the taking out of the Community.

10) transport services for the import of goods, services for the organisation of transport of goods and ancillary services related to such transport of goods, if the cost of such services is included in the taxable value of the goods to be imported.

NB! Beginning from 1 July 2022, the services specified in points 8, 9 and 10 will **always** be taxed at the 0% VAT rate **only if these services are provided to the consignor or consignee of the goods**. Also, **beginning from 1 July 2022**, the transport service to the European Union customs territory, organization of such transport service and ancillary service related to such transport of:

- ✓ non-Union goods placed under the customs warehousing procedure, free zone, inward processing, transit or temporary importation with total relief from import duties, or
- ✓ non-Union goods in temporary storage,

if these services are provided to the consignee or the consignor of the goods, are **always** subject to the 0% VAT rate.

If the services referred to above are provided in another Member State to a person registered as a taxable person or taxable person with limited liability or to a person from a non-Community country engaged in business who is not the consignor or consignee, the 0% VAT rate is applied in accordance with the so-called basic rule (the place of supply of the service is not Estonia but the country of location of the recipient of the service).

11) carriage of goods to the Azores or Madeira or from the Azores or Madeira to Estonia or another Member State;

12) work with movables which are acquired from Estonia or brought to Estonia for the purpose of

provision of such service and which are taken out of the Community after the service has been provided;

13) carriage of passengers specified in clause 3 of subsection 2 of § 10 of the VAT Act, including their personal luggage and personal means of transport, if the carriage of passengers in Estonia constitutes a part of international transport of passengers;

14) service provided to a person, representation, agency, special mission, Union institution or armed forces or headquarters located in a foreign state and specified in clause 5 or 6 of subsection 3 of § 15 of the VAT Act;

14¹) service provided to international military headquarters located in Estonia if the tax incentives are laid down in an international agreement ratified by the Riigikogu or for the performance of the duties to the armed forces specified in clause 6¹ of subsection 3 of § 15 of the VAT Act and the civilian staff accompanying them;

14²) service provided to a Union institution located in Estonia or to an agency or body established under the Union law on condition that the total value of the goods without value added tax makes up at least 53 euros pursuant to the invoice, except in the case of public utility services and telecommunications services.

As of 1 January 2022, the VAT Act specifies that the VAT incentives granted to the institutions of the European Union (EU) also apply to agencies and bodies established under Union law. Agencies and bodies established under EU law are legal entities separate from other EU institutions and are set up to carry out specific tasks under EU law. EU agencies and bodies are international organisations to which the Protocol on the privileges and immunities of the European Union applies. They must benefit from tax incentives to the same extent and on the same basis as the EU institutions.

15) service that is provided by a canteen, cafeteria or mess of an international military headquarters under the condition prescribed in an international agreement ratified by Riigikogu.

Thus, the supply of a canteen, cafeteria or mess acting at an international military headquarter is taxable at 0% VAT rate and shall be declared in line 3 of VAT return (form KMD).

Provision of services with 0% VAT rate shall be certified by a contract concluded for the provision of such service, a written order, invoice or other document in proof of the provision of the service. The tax authority has the right to request additional documents in proof of the provision of the service (subsection 5 of § 5 of the VAT Act).

Regardless of the provisions of clause 1 of subsection 4 of § 15 of the VAT Act, tax exemption is applied instead of 0% VAT rate to a service whose place of supply is another Member State if, upon provision of the service, the taxable person uses his VAT registration number in another Member State.

Thus, the VAT Act enacts directly that if a person has the VAT registration number in the other Member State and provides the services, using this VAT registration number of the other Member State – such supply shall not be declared in his Estonian VAT return at all, neither as taxable supply nor as exempt supply.

16) service provided to the European Commission or to an agency or body established under the Union law upon the performance of the tasks assigned to it by the Union law in order to respond to the COVID-19 pandemic, unless the specified service is acquired for resale for consideration;

If the conditions for applying the 0% VAT rate no longer apply, the European Commission, agency or body, which acquired the goods or services taxed at 0% VAT rate must notify the tax authority thereof and pay VAT on the specified goods or services at 0% value added tax upon the lapse of the conditions for taxation pursuant to the procedure and under the conditions established on the basis of subsection 3 of § 39 of the VAT Act.

Last updated on 30.07.2025