



MAKSU- JA TOLLIAMET

Value added tax rates and supply exempt from tax

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Value added tax rates

Value added tax (VAT) rates are specified in [§ 15 of the Value Added Tax Act \(VAT Act\)](#).

Last updated on 28.07.2025

Standard VAT rate

From 1 July 2025, the standard rate of VAT is **24%**.

The standard rate is applied for VAT purposes whenever there is no basis for applying a preferential rate or exemption arising from a specific provision. The correct tax rate must be chosen on the basis of the time of supply.

[Examples of taxation related to the VAT rate change from 1 July 2025](#)

Last updated on 04.08.2026

Supply, taxable at 13% VAT rate

As of 1 January 2025, accommodation or accommodation with breakfast is subject to 13% VAT rate instead of the previous 9%, except for goods or service accompanying this service.

The reduced rate cannot be applied to other services supplied with accommodation other than breakfast. The tax rate is applicable only to services directly linked to the accommodation, which, for example, are included in the price of a certain room class, irrespective of the actual use of those services, and are therefore an integral part of the accommodation.

A transitional provision has been introduced for tax payers applying cash accounting of VAT in order to switch to the 13% VAT rate. A taxable person who bases the calculation of VAT on the special arrangements for cash accounting for VAT, may pay, until 31 December 2026, VAT at the rate of

9 per cent on the supply of accommodation or accommodation with breakfast provided after 31 December 2024, except the supply of goods or services accompanying that supply, in case an invoice was issued to the recipient of the service and the service was provided before 1 January 2025 (subsection 26 of § 46 of the VAT Act).

Last updated on 08.08.2025

Supply, taxable at 9% VAT rate

The VAT rate of the following goods and services shall be 9% of the taxable value:

1) **books and educational literature, both on a physical medium and electronically**, excluding learning materials specified in clause 6 of subsection 1 of § 16 of the VAT Act transferred by the pre-school, basic, vocational, secondary or higher education service provider to the recipient of the services.

Book is not defined in the VAT Act. For the application of lower VAT rate, the usual meaning of book is used – it is bound non-periodic publication. Book is defined that way also in different legal acts of the Council of the European Union – for example, in the Combined Nomenclature, established by the Council Regulation No 2658/87 which is the basis for the classification of the goods.

If a person who provides a VAT-exempt educational service transfers a workbook as a learning material together with the educational service – in such case the transfer of the workbook is treated as exempt supply.

From 1 May 2020, the reduced VAT rate is applicable irrespective of the type of data media on which the book or educational literature is published. The reduced VAT rate is also applicable for the electronic book and for the electronic educational literature. Before that date the reduced VAT rate was applicable only for a printed book and for a printed workbook as a learning material. Notes may also be published as books. The important criterion is integrity, i.e. the books are not designed to be followed up like drawing and colouring books, agendas, crossword omnibuses. The transfer of publications in Braille or in embossing, designed for blinds and people with visual disability, are taxable at the lower VAT rate according to clause 2 of subsection 2 of § 15 of the VAT Act irrespective of the type of the publication (a book or other publication). The publications on a physical medium, additionally to printed books, are audio books recorded on a CD or on any other physical medium which are comprised of the same text information as the printed or the electronic book. For a publication in other physical medium or for an electronic publication, the reduced VAT rate is applicable if such publication don't differ from the printed publication more than by some elements, characteristic for this format, like possibility to use the search

tool or bookmarker. It is important that the electronic publication is possibly similar to the printed publication. For the application of the reduced VAT rate for the electronic publication, the existence of the printed version of the same publication is not necessary. If the printed version of the electronic publication does not exist, the reduced VAT rate is applicable if the electronic publication does not include annexes which are not characteristic to printed books (for example, computer games).

The lower VAT rate is applicable also for the transfer of the electronic educational literature if such educational literature is in accordance with the general principles of the electronic publications. The educational literature is, above all, the collection of textbooks and exercises. The digital educational literature shall be available, at the opportunity, in digital devices with the different operating systems and shall be adjustable, within the reasonable extent, for the people with visual and hearing disability (Regulation No 13 of the Minister of Education and Research from 24.03.2016). The possibility to apply the lower VAT rate for the digital educational literature does not depend on the existence of the specific material also on a paper form. According to subsection 1 of § 20 of the Basic Schools and Upper Secondary Schools Act, the educational literature is, for example, textbooks, workbooks, exercise-books and worksheets. According to subsection 6 of § 20 of the same Act, a publisher of educational literature registers in the educational literature sub-register of the educational information system the data of educational literature complying with the requirements. Hence, the reduced VAT rate is applicable both for printed and for digital educational literature which is registered in the correspondent sub-register.

2) medicinal products, contraceptive preparations, sanitary and toiletry products and medical devices intended for the personal use of disabled persons for the purposes of the Medical Devices Act and technical aid for the purposes of the Social Welfare Act which are specified in the list established by a [regulation of the Minister of Social Affairs](#), and the grant of use of such medical devices to disabled persons.

From 1 August 2012, the [Regulation of the Minister of Social Affairs No 63 from 4 December 2006](#) was amended – several CN-codes of the medicinal products were brought up to date, some CN-codes were added and the formulation of the regulation was specified to avoid indistinctnesses which had disclosed in practice. The lower VAT rate is applicable only for medicines, medical equipment and medical devices which are listed in the Regulation of the Minister of Social Affairs. The basis of the abovementioned provision are clauses 3 and 4 of Annex III of the EU VAT Directive (Council Directive 2006/112/EC).

3) press publications, both on a physical medium and electronically, excluding publications containing mainly advertising or private advertisements or mainly with erotic or pornographic content or video or music content.

From 1 May 2020, the reduced VAT rate is applicable irrespective of the type of data media on which the press publication is published, and also for the electronic press publication. Before that date the reduced VAT rate was applicable only for a printed periodic publication.

Daily and weekly newspapers which are available electronically are mostly the web versions of the

printed newspapers. 9% VAT rate is applicable also for the services, received for consideration, which give the right to read or listen the web publications during the subscription period.

The web versions of the publications containing mainly advertising or private advertisements or mainly with erotic or pornographic content or video or music content are taxable at 24% VAT rate. The computer programs and computer games are also still taxable at 24% VAT rate.

NB! From 1 August 2022 to 31 December 2024, the rate for press publications was 5% instead of the previous 9% and from 1 January 2025 again 9%. In this context, a transitional provision was introduced for taxable persons applying cash accounting of VAT. A taxable person who bases the calculation of VAT on the special arrangement for cash accounting for VAT, may pay, until 31 December 2026, VAT at the rate of 5 per cent on the supply of a press publication, both on a physical medium and also of an electronic press publication provided after 31 December 2024, except those that mainly publish advertising or private advertisements or the supply of a publication with mainly erotic or pornographic content or with video or music content, in case an invoice was issued to the buyer and the goods were sent or made available or the service was provided before 1 January 2025 (subsection 27 of § 46 of the VAT Act).

Last updated on 07.08.2025

Supply, taxable at 0% VAT rate – goods

The goods with 0% VAT rate are listed in subsection 3 of § 15 of the VAT Act.

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

1) exported goods, excluding cases where the supply of such goods is exempt from tax pursuant to § 16 of the VAT Act;

2) goods where their transfer and transport to another Member State or transport to another Member State without transfer is deemed to be intra-Community supply of goods. This provision does not apply in cases where the supply of goods is exempt from tax pursuant to § 16 of the VAT Act or the acquirer of the goods, except for new means of transport or excise goods, or the transferor of own goods to another Member State has no valid VAT registration number issued in the other Member State or the supply of such goods is not reflected in the report on intra-Community supply of goods pursuant to § 28 of the VAT Act.

Thus, the transferor of the goods or a person who transports his own goods to the other Member State can apply 0% VAT rate, if he knows the VAT registration number of the acquirer of the goods or, if he transports his own goods, he has VAT registration number also in that other Member State.

3) sea-going vessels navigating in international waters, except pleasure craft used for purposes other than those of business interests, and equipment, spare parts, fuel and other supplies used on such sea-going vessels and goods to be transferred to passengers for consumption on board, except goods sold on board sea-going vessels during passenger transport in Union waters to be taken away.

0% VAT rate shall be applicable for all goods, specified in abovementioned provision, transported to a sea-going vessel navigating in international waters, including a sea-going vessel to be repaired.

4) aircraft used by an air carrier operating mostly on international routes and equipment, spare parts, fuel and other supplies used on such aircraft and goods to be transferred to passengers for consumption on board, except goods sold on board of such aircraft during intra-Community passenger transport to be taken away.

0% VAT rate shall be applicable also for the goods, transferred for the transport to a sea-going vessel or aircraft and treated as stores – including goods to be transferred to passengers on the board of a sea-going vessel or aircraft during intra-Community passenger transport to be taken away, not only for goods to be transferred to passengers for consumption on board. For application of 0% VAT rate, the transferor must have the proof that the goods were transported to a sea-going vessel or aircraft as stores.

The goods to be transferred to passengers on board of a vessel or aircraft to be taken away are taxable with the standard VAT rate in the country from which the vessel or aircraft departed. Thus, on the route from Tallinn to Helsinki the goods transferred to passengers on board are taxable with the Estonian VAT rate and on the route from Helsinki to Tallinn – with the Finnish VAT rate.

The VAT Act and EU VAT Directive don't determine, which indicators should be taken for granted for valuation of relative importance of international and domestic flights. According to the European Court Judgment in Case C-382/02, every Member State determines itself who is an air carrier operating mostly on international routes. In estimation of the Estonian Ministry of Finance and the Estonian Tax and Customs Board, if international flights form no less than 51% of the total supply of an air carrier, such air carrier can be treated as an air carrier operating mostly on international routes. For correct VAT calculation, the airports located in Estonia must know relative importance of international flights only for the Estonian air carriers. The airport services, provided to the air carriers of other countries, are taxable at 0% VAT rate.

Regular flights and charter flights both are treated as international flights.

5) goods transferred and transported to another Member State to a diplomatic representative, a consular agent (except an honorary consul), a representative or representation of a special mission or an

international organisation recognised by the Ministry of Foreign Affairs, headquarters of an international organisation, a diplomatic representation, a consular post, a special mission or a Union institution.

Upon the application of 0% VAT rate it's not important, are the goods transferred and transported to another Member State to an Estonian diplomatic representative or consular agent or to a foreign diplomatic representative or consular agent.

5¹) goods transferred to a Union institution located in Estonia 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 fuel within the meaning of the Liquid Fuel Act.

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.

5²) goods transferred to the European Commission or to an agency or body established under Union law in the performance of the tasks under the Union law in response to a COVID-19 pandemic, unless those goods are 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.

6) goods transferred and transported to another Member State which is a Member State of the North Atlantic Treaty Organisation (hereinafter: NATO) and intended for the performance of the duties of the armed forces of any other NATO Member State or the civilian staff accompanying them if such armed forces take part in the common defence effort, or to international military headquarters.

* Read also "**Value added tax incentives applicable to diplomats, foreign missions, international organisations, EU institutions and armed forces of foreign states**"

Beginning from 1 July 2022, the 0% VAT rate also applies to goods transferred and delivered to another Member State and intended for the performance of the duties of the armed forces of any other Member State or the civilian staff accompanying them, if the mentioned armed forces take part in the common defence effort implementing the measures of the European Union in the framework of the common security and defence policy.

6¹) goods transferred 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 of a NATO Member State participating in the common defence effort, except Estonia, and the civilian staff accompanying them.

Beginning from 1 July 2022, the 0% VAT rate also applies to goods transferred in Estonia to the armed forces and their accompanying civilian staff, for the performance of their duties, of a Member State (except Estonia) participating in defence activities carried out for implementing the measures of the European Union in the framework of the common security and defence policy.

In cases specified in clauses 5–6¹, the document in proof of the supply with the 0% VAT rate shall be the value added tax exemption certificate established by Council Implementing Regulation (EU) No 282/2011 (subsection 5¹ of § 15 of the VAT Act).

7) repealed from 7 July 2017. The term “bonded warehouse” is not in use any more. The goods located in a free zone are treated as the goods placed under the customs procedure now – because of this it’s not necessary to expand in separate clauses “placing in a free zone” and “placing under the (certain) customs procedure”;

8) non-Union goods placed under the customs procedure of customs warehousing, free zone, inward processing, transit or temporary importation with total relief from import duties or non-Union goods in temporary storage on the condition that the goods have not been unlawfully removed from under customs supervision and have not been consumed or used in the cases other than those prescribed in the customs legislation within the meaning of the Customs Code;

9) Union goods transferred and transported to a free zone for export purposes and Union goods placed in a free zone which are exported directly from the free zone within two months as of the transportation to the free zone.

* Read also **“Export of goods via a free zone”**

10) gold transferred to Eesti Pank.

* Read also **“Tax warehousing”**

11) the goods specified in Annex V to the EU VAT Directive if the goods are immediately placed in a tax warehouse or have been placed in a tax warehouse (§ 44¹ of the VAT Act) and the transaction does not involve termination of tax warehousing. Since 1 April 2012 this provision shall not apply to fuel released for consumption for the purposes of the Alcohol, Tobacco, Fuel and Electricity Excise Duty Act if the fuel has been placed in the excise warehouse.

0% VAT rate shall be applicable for the supply in a tax warehouse (or in any other place, accepted by

customs authorities) of the goods specified in Annex V to the EU VAT Directive (except the fuel released for consumption which has been placed in the excise warehouse at the same time) on the condition that the transaction does not involve taking the goods out of the tax warehouse. Only temporary taking out of the goods is allowed upon the permission of the tax authority (see also § 44¹ of the VAT Act). If the transaction involves immediate placing of the goods in a tax warehouse (including the transporting the goods, already placed in a tax warehouse, from one tax warehouse to another), such supply also shall be taxable at 0% VAT rate. In the last case it's important that the goods stay in the tax warehousing regime.

* Read also **"Tax warehousing"**

12) excise goods under excise duty suspension arrangement placed in an excise warehouse if the transaction does not involve taking the goods out of the excise warehouse, except transporting the excise goods from one excise warehouse to another.

Taxation of the transfer of goods in an excise warehouse: According to clause 12 of subsection 3 of § 15 of the VAT Act, excise goods under excise duty suspension arrangement placed in an excise warehouse are taxable at 0% VAT rate if the transaction does not involve taking the goods out of the excise warehouse, except transporting the excise goods from one excise warehouse to another.

Since 1 April 2012 it's important whether the transferable goods are in excise paid regime or in excise not paid regime. Transactions for the transfer of goods (for example, fuel) in an excise warehouse where the goods are in excise paid regime (are released for consumption) are taxable at 24% VAT rate. If it is the transaction for the transfer of goods under excise duty suspension arrangement inside an excise warehouse, i.e. the transaction does not involve taking the goods out of the excise warehouse, the transaction is taxable at 0% VAT rate. If the transaction involves transporting the excise goods under excise duty suspension arrangement from one excise warehouse to another, such transaction is also taxable at 0% VAT rate.

If the domestic transaction for the transfer of goods involves taking the goods under excise duty suspension arrangement out of the excise warehouse, i.e. release for consumption, the sale is taxable at 24% VAT rate as a regular supply (subsection 1 of § 15 of the VAT Act). If the same goods are placed in a excise warehouse again, all transactions for the transfer of such goods are taxable at 24% VAT rate – the transactions for the transfer of goods inside excise warehouse, the transactions for the transfer of such goods which involve transporting the excise goods from one excise warehouse to another and also domestic transactions for the transfer of the goods which involve taking the goods out of the excise warehouse.

13) goods that are transferred in a canteen, cafeteria or mess of an international military headquarters under the condition prescribed in an international agreement ratified by the 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).

14) goods the import of which is exempt from tax under the conditions provided for the application of customs duty relief in accordance with Commission Decision established on the basis of Article 76 of Council Regulation (EC) No 1186/2009 setting up a Community system of reliefs from customs duty (OJ L 324, 10.12.2009, pp. 23–57);

15) goods which are transferred to a person holding an online marketplace if he is deemed to be the purchaser of the goods pursuant to subsection 1³ of § 4 of the VAT Act.

Regardless of the provisions of clause 1 of subsection 3 of § 15 of the VAT Act, tax exemption is applied instead of 0% VAT rate in the following cases (subsection 6 of § 15 of the VAT Act):

1. export of similar goods replacing goods which were returned to Estonia after export within the meaning of the Customs Code if the goods to be replaced were returned to Estonia under a tax exemption on the basis of subsection 2 of § 17 of the VAT Act;
2. export of goods imported into Estonia under 0% VAT rate on the basis of subsection 3 of § 15 of the VAT Act or under a tax exemption on the basis of § 17 of the VAT Act.

Last updated on 29.07.2025

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

Exempt supply

The goods and services which supply is exempt from VAT are specified in **§ 16 of the Value Added Tax Act** (VAT Act).

Treatment of the transaction as exempt supply means that VAT shall not be added to the sales price of the goods or services and the taxpayer has no right to deduct input VAT of goods and services, acquired for exempt supply.

If the whole supply of a person is exempt from VAT – such person has no obligation to register for VAT liability, has no obligation to submit declarations arising from the VAT Act and has no obligation to fulfill other obligations of the VAT payer.

Last updated on 30.07.2025

Exempt supply of the goods and services of a social nature

Value added tax shall not be imposed on the supply of the following goods and services of a social nature:

1) **universal postal services** within the meaning of the Postal Act and payment of state pensions, benefits, support and compensation by means of post in accordance with the procedure laid down in the State Pension Insurance Act and the Work Ability Allowance Act.

According to the Postal Act, universal postal services mean the continued and high quality provision of postal services provided for in subsection 5 (2) of the Postal Act at an affordable price throughout the whole territory of the Republic of Estonia on the bases and pursuant to the procedure provided by legislation.

Universal postal services include the following domestic and cross-border postal services:

1. the forwarding of items of correspondence weighing up to 2 kilograms as ordinary, registered and insured items;
2. the forwarding of postal parcels weighing up to 20 kilograms as registered and insured items.

Universal postal services do not include the forwarding of postal items as bulk items.

A universal postal service provider is a person to whom a licence for the provision of universal postal services has been issued – it means, only a person with the correspondent license can provide postal services which are exempt from VAT.

The Work Ability Allowance Act has created a new type of allowance – work ability allowance – and ended the determination of percentages of loss of capacity for work and pension for incapacity for work on the basis of the State Pension Insurance Act. Therefore, with effect from 1 January 2022, the VAT Act was supplemented in such a way that the payment of state pensions, benefits, support and compensation by means of post in accordance with both the State Pension Insurance Act and the Work Ability Allowance Act is exempt from VAT.

2) **health services** within the meaning of the Health Service Organisation Act and the supply of an organ or tissue of human origin, human blood or blood product made from human blood and breast milk, as specified in the list approved by a regulation of the Minister of Social Affairs.

According to the Health Services Organisation Act, health services are the activities of health care professionals for the prevention, diagnosis or treatment of diseases, injuries or intoxication in order to reduce the malaise of persons, prevent the deterioration of their state of health or development of the diseases, and restore their health. The Health Board must issue an activity licence for the provision of health services.

Health care professionals are doctors, dentists, nurses and midwives if they are registered with the Health Board. A health care professional may provide health services within the acquired profession or speciality based on which they have been registered in the health administration information system.

Where a person provides treatment and has been registered in the health administration information system, the following persons are equalised with a health care professional:

1. physiotherapist,
2. clinical psychologist
3. speech therapist.

Therefore, for the purposes of applying the tax exemption, it is important that the service provided is a health service, a licence has been issued for the provision of the service and that the service is provided by a health care professional, including a physiotherapist, clinical psychologist and speech therapist treated as a health care professional.

Chocolate therapy, coffee therapy, different massages (excl. therapy massage, prescribed by a doctor) are not acknowledged methods of rehabilitation and the qualification of the rehabilitation specialist is not necessary for the provision of such services. Thus, the implementation of such therapy methods is

the provision of the taxable services, even the provider of the service has the qualification of the rehabilitation specialist.

2¹) service provided by dental technicians in their professional activities and **dental prostheses** transferred by dentists or dental technicians.

According to clause 132(1)(e) of the EU VAT Directive, the supply of services by dental technicians in their professional capacity and the supply of dental prostheses by dentists and dental technicians shall be exempt from VAT.

3) **services provided by a non-profit association** to its members free of charge or for a membership fee, and services provided by a non-profit association or foundation to natural persons relating to the use of sports facilities or sports equipment;

Service provided by a non-profit association is exempt from VAT only if the service is provided free of charge or for a membership fee. If a non-profit association organises events for its members for a consideration, such transaction is treated as taxable supply, even the bargain price was applied.

4) **social services** specified in Articles 8 (since 01.05.2018), 17, 20, 23, 26, 27 (since 01.05.2018), 30 (since 01.05.2018), 33 (since 01.05.2018), 41, 44 (since 01.05.2018), 45⁵, 45¹⁵, 56, 87, 91, 94, 97, 100 and 130¹ and social services financed out of the state or local government budget specified in Article 45¹ of the Social Welfare Act (SWA).

The definitions and provision of social services are regulated in SWA. According to clause 4 of subsection 1 of § 16 of the VAT Act, the social services exempt from VAT are:

the provision of emergency social assistance, for example, making available of clothing, food and temporary accommodation to person in a socially helpless situation (Article 8 of SWA – since 01.05.2018), domestic service (Article 17 of SWA), general care service provided outside the home (Article 20 of SWA), support person service (Article 23 of SWA), curatorship of adults (Article 26 of SWA), personal assistant service (Article 27 of SWA – since 01.05.2018), shelter service (Article 30 – since 01.05.2018), safe house service of adults (Article 33 – since 01.05.2018), provision of dwelling (Article 41), debt counselling service (Article 44 – since 01.05.2018), alternative care service (Article 45⁵ of SWA), continued care service (Article 45¹⁵ of SWA), social rehabilitation service (Article 56 of SWA), everyday life support service (Article 87 of SWA), employment support service (Article 91 of SWA), supported living service (Article 94 of SWA), community living service (Article 97 of SWA), 24-hour special care service (Article 100 of SWA), closed child care institution service (Article 130¹ of SWA).

Childcare service (Article 45¹ of SWA) is exempt from VAT, if it is financed out of the state or local government budget.

The content of social services exempt from tax provided for in clause 4 of subsection 1 of § 16 of the

VAT Act must be interpreted on the basis of the provisions of the relevant sections of the Social Welfare Act. The services specified in the specific provisions of the Social Welfare Act listed in clause 4 of subsection 1 of § 16 of the VAT Act are exempt from tax.

The fact that the service is a so-called project-based service has no impact on the taxation of the service as such. If a service is provided as part of a project, the taxation depends on whether the service is exempt from tax pursuant to § 16 of the VAT Act or the service is taxable.

5) services relating to shelters for the protection of children and young persons;

6) pre-school, basic, vocational, secondary and higher education, including learning materials transferred by the education service provider to the recipient of the services, private tuition relating to general education and other training services, except other training services provided for business purposes.

Only training services of a social nature are exempt from VAT – for example, general education and private tuition relating to general education, but not training services provided in the course of business activities. For the purposes of this provision, general education services cover pre-school, basic, vocational, secondary and higher education as formal education. Formal education is always supply exempt from tax – whether the training is provided by a public, municipal or private school.

Retraining and continuing education is covered by the term “other training services”. Other training for non-business purposes is supply exempt from tax without the right to voluntary taxation. Training services provided for business purposes, if they are not a part of general education, are taxable with the standard VAT rate.

WHEN TRAINING SERVICES ARE PROVIDED FOR BUSINESS PURPOSES

When training service is provided by an economic operator (company, self-employed person), it is always for business purposes.

When training service is provided by a non-profit association or foundation, two main criteria must be considered:

- ✓ whether the training provider seeks to make a profit from providing the training services;
- ✓ whether the training provider competes with other training providers offering similar services, so that non-taxation of the training may distort competition.

Each specific training should be considered separately from this point of view. There is no general rule which training provided by a non-profit association or foundation, which is not formal education, is

exempt from tax and which is taxable. Attention needs to be paid to the competitive aspect – if similar training is provided by economic operators registered for VAT purposes (companies and self-employed persons), it must be regarded as training provided for business purposes by all providers (including non-profit associations or foundations). Pursuant to point (b) of Article 134 of the VAT Directive 2006/112/EC of the European Union, a Member State shall not grant exemption where the purpose is to obtain additional income for the body in question through transactions which are in direct competition with those of commercial enterprises subject to VAT.

If the training is provided by a non-profit association or foundation that does not seek profit from this training and the training is so specific that there is no real competition from other providers offering similar training, then we can say that the training is offered for non-business purposes and the supply is exempt from tax.

If a state, rural municipality or city authority provides training for business purposes, a taxable supply arises.

7) **transportation of sick, injured or disabled persons** in vehicles which are specially designed for such purpose and which correspond to the requirements established on the basis of the Traffic Act.

Transportation of sick, injured or disabled persons in vehicles which are specially designed for such purpose and which correspond to the requirements established on the basis of the Traffic Act is a service exempt from VAT. This provision imposes exemption to so-called taxi service for disabled persons – but only if the service is provided with specially designed vehicles.

8) **service provided by an independent association of persons to their members** provided that the following conditions are met: the service is directly necessary for the main activity of the member, which is exempt from tax or is not subject to value added tax; the fee paid for the service does not exceed the costs incurred upon the provision of the service and the tax exemption of the service does not affect competition significantly.

Last updated on 11.05.2026

Exempt supply in a regular business, incl. services related to immovables

The VAT Act enacts also the list of other services and goods, exempt from VAT, which have no social

nature but are provided in the course of regular business.

The following goods and services are exempt from VAT:

1) **insurance services**, including reinsurance and insurance mediation. Essential point of the insurance mediation is set out in Article 2 of the Insurance Activities Act. Insurance services, including reinsurance and insurance mediation, are exempt from VAT if their content is in accordance with the provisions of the Insurance Activities Act.

For the purposes of the Insurance Activities Act, acting as insurance broker or insurance agent is called “insurance mediation”. Criteria of the insurance mediation which are essential for the determination of the insurance mediation service are stipulated in Articles 174, 175 and 176 of the Insurance Activities Act.

Following the judgment of the Court of Justice in Case C-42/22 – in a situation where an insurance undertaking has fully compensated the normal price of a vehicle in the event of complete write-off or damage to the vehicle and the ownership of the vehicle is transferred to the insurance undertaking, **the realisation of such a vehicle by the insurance undertaking cannot be regarded as part of the insurance business and thus as supply exempt from tax**. The supply of such a vehicle by the insurance undertaking registered for VAT purposes is subject to VAT. Since previously the tax authority was of the opinion that such activity is part of tax-exempt insurance services and the opinion has changed due to the fact that the decisions of the Court of Justice are part of the European Union law, which the Estonian tax authority is guided by in its activities, the new interpretation must be applied no later than 1 July 2024. Read more: [Transfer of written-off vehicles by insurance companies](#)

2) **the leasing or letting of immovables or parts thereof, establishment of a usufruct on immovables or parts thereof**. Tax exemption is not applied on the provision of accommodation services, the leasing or letting of or establishment of a usufruct on multi-storey car parks and premises for parking vehicles, and the hiring or leasing of or establishment of a usufruct on permanently installed equipment or machinery or safes.

As a rule, the leasing or letting of immovables or parts thereof, establishment of a usufruct on immovables or parts thereof is exempt supply. A taxpayer can add VAT to the taxable value of such services (except the leasing or letting of dwellings and establishment of a usufruct on dwellings) if he has notified the tax authority about it. The abovementioned services are treated as services connected with an immovable where the legislation of the country of location of the immovable shall be applied. Thus, if the taxpayer has notified the tax authority about addition of VAT to the taxable value of the services – it’s not important who is the recipient of the service, an Estonian person or a non-resident.

If the taxpayer has notified the tax authority about addition of VAT to the taxable value of the services – he must tax such supply for at least two years as of the first taxable period.

The leasing of immovables shall be distinguished from the **accommodation service** which is taxable supply.

The establishment of a usufruct on immovables is also exempt supply, according to clause 2 of subsection 2 of § 16 of the VAT Act. The taxpayer can add VAT to the taxable value of such service, if he has notified the tax authority about it in writing before the supply was effected, during the same taxable period or earlier.

3) **immovables or parts thereof**. The tax exemption is not applied to the immovable property, the essential part of which is a construction work for the purposes of the Building Code or a part of a construction work, which is transferred before the initial use of the building or its part, or for the first time within one year after the initial use (amendment entered into force 1 January 2025); or to immovable property, the essential part of which is a significantly improved construction work or its part, which is transferred before re-commissioning of the construction work or its part following improvement or for the first time within one year after re-commissioning (amendment entered into force 1 January 2025); or to building land. The construction work or its part is considered to have been significantly improved if the expenses related to the improvements exceed at least 10 per cent of the acquisition cost of the construction work or its part before the improvement.

The costs related to the improvements shall be compared only with the value of the improvable construction work itself, located on an immovable – not with the total value of the immovable (the price of land + construction work).

The definition of immovable in the VAT Act

The definition of **immovable** is enacted in subsection 3 of § 2 of the VAT Act. **Immovables**, as defined in the General Part of the Civil Code Act, right of superficies, utility networks and utility works, as defined in the Law of Property Act, structures as movables, as defined in the Law of Property Act Implementation Act, and apartment ownership and right of superficies in apartments, as defined in the Apartment Ownership Act and the Apartment Associations Act are deemed to be immovable for the purposes of the VAT Act.

As a rule, supply of immovables is exempt from VAT – but supply of new and significantly improved construction works and plots with no buildings is not exempt. Supply of structures as movables is also taxable or exempt according to the rules concerning immovables. According to subsection 1 of § 3 of the Building Code, construction work means a structure that is created as a result of human action and that is attached to or supported by the ground underneath and whose purpose of use, aim, manner of use or durability make it distinguishable from other structures. Construction works are divided to buildings and civil engineering works. A building is a construction work that has an interior space that is separated from the external environment by the roof and other parts of the building envelope. A civil engineering work is any construction work other than a building. The definition of construction work is not directly related to the existence of the use and occupancy permit or to the entry in the register of construction works. As far as a building located on a plot of land is a “versal thing”, i.e. it has roof,

interior space and parts of the building envelope – we have a plot of land where a construction work is located. As a rule, the transfer of a plot of land with a construction work after the commencement of use of the construction work is exempt supply according to clause 3 of subsection 2 of § 16 of the VAT Act.

For the purposes of the VAT Act, right of superficies as defined in the Law of Property Act is also treated as immovable. Thus, for the taxation purposes establishment of superficies to the land is treated like the transfer of the immovable.

The transfer of the new construction work and land under it

If an essential part of an immovable is a construction work or a part thereof which has been significantly improved (the costs related to the improvements exceed at least 10% of the acquisition value of the construction work or the part thereof before the making of the improvements) – such immovable is also taxable as a new construction work.

For example, if the acquisition cost of a construction work or a part thereof (without the cost of the land) was 100,000 euros before the improvement and the expenses related to the improvement were incurred for at least 110,000 euros (acquisition cost 100,000 euros + 10% of it) and the construction work or part thereof is transferred before the re-commissioning following the improvement or for the first time within one year after the re-commissioning following the improvement, the tax exemption does not apply upon the transfer. If the improvement costs are equal to the acquisition cost of the construction work or are less than 110,000 euros in the given example, there is no obligation to tax the supply of the construction work or a part thereof even if the improved construction work or a part thereof is not re-commissioned before the transfer or is re-commissioned within one year before the first transfer following the improvement.

The definition of building land in the VAT Act

According to clause 1 of subsection 3 of § 2 of the VAT Act, building land is deemed to be such immovable within the meaning of the General Part of the Civil Code Act, that does not contain any construction work, except utility networks or utility works, and which is designed for building pursuant to the design specifications, a detailed spatial plan or special spatial plan of the state or local government or for which a building notice has been submitted or the intended purpose of the cadastral unit of which is over 50% residential land or commercial land or these jointly.

According to clause 3 of subsection 2 of § 16 of the VAT Act, tax exemption is not applied to a building land. If there are only such utility networks and utility works, as defined in the Law of Property Act, on the immovable which are already in use – for the purposes of the VAT Act it is a plot of land with no construction works and the transfer of such immovable is taxable. Utility networks and utility works, as defined in the Law of Property Act, are separate immovables, the owner of which is a third party and which can't be transferred by the owner of the plot of land.

4) valid postal payment means of the Republic of Estonia if sold at their nominal value.

Tax exemption is not applied for postage stamps, sold for philately interest, as well as for valid postage stamps, sold at price higher than their nominal value.

5) **securities**, except securities or holdings, which grant the holders thereof the right of ownership or the right to use and dispose as an owner of the immovables or parts thereof specified in the second sentence of clause 3 of subsection 2 of § 15 of the VAT Act, and since 01.05.2018 also except a greenhouse gas emission allowance for the purposes of subsection 1 of § 137 of the Atmospheric Air Protection Act.

The definition of security is enacted in subsection 1 of § 2 of the Securities Market Act. Security is a transferable proprietary right – thus, security is a service.

Upon the transfer of securities, the value of exempt supply is comprised of the total consideration received for the security (incl. the cost of the security itself). Tax exemption is not applied to securities which grant the holders thereof the right of ownership or the right to use and dispose as an owner of a new immovable or a part thereof. The supply of such holdings and securities shall be taxable because its actual economic content is a transaction, similar to the transfer of a new immovable. One such example is the transfer of the holding of a member of a building association. The holding of a building association does not give to a member of this building association the right of ownership of a fixed part of a building (for example, an apartment), but actually a member of a building association can use and dispose his membership, which give him the sole use of the apartment, as the owner – for example, he can transfer and pledge his membership. A bearer security is not issued about the membership, but as a rule, a person can become a member of a building association through the transaction certified by a notary.

If there is only the transfer of the holding or securities (incl. if holding or securities are transferred as non-monetary contribution) which does not involve the transfer to another person of the legal ownership or the ownership in property law of the immovable, i.e. this another person can't use and dispose the immovable as the owner – in such case it's a regular exempt supply of securities.

6) **lottery tickets and the organisation of gambling, except the organisation of commercial lotteries and the organisation of such games of skill the only possible prize of which is the possibility to participate again in the same game.**

The gambling service includes the organisation of a lottery and the transfer of lottery tickets. The organisation of gambling is regulated in the Gambling Act. Only a person who has a correspondent operating permit can organise the gamblings. Tax exemption is not applied to the organisation of commercial lotteries and the organisation of such games of skill the only possible prize of which is the possibility to participate again in the same game.

7) **investment gold**, services relating to the transfer of investment gold or entry into a corresponding transfer agreement, or services relating to the supply thereof which are provided by an agent acting in the name and for the account of another person.

Special arrangements for imposing value added tax on investment gold, specified in Articles 344–356 of the EU VAT Directive, is the basis for exemption from VAT of the investment gold. In subsection 7 of 32 of the VAT Act is specified, input VAT of which goods and services is deductible for a person who supplies investment gold exempt from VAT – irrespective of the fact that the goods and services are acquired for the exempt supply. According to clause 4 of subsection 3 of 16 of the VAT Act, in certain cases a VAT payer can opt for taxation of the supply of the investment gold and the services related to the investment gold.

8) goods, upon the acquisition of which there was no right for deduction of input value added tax, unless the goods were acquired before the registration of the acquirer as a taxable person or if, at the time of acquisition of the goods, the input value added tax had been deducted in part.

Tax exemption is not applied upon the transfer of the goods which were acquired before the registration of the acquirer as a taxable person – in such case the right to deduct input VAT is applicable later (if the goods were acquired for the resale or as a raw material – subsection 5 of 29 of the VAT Act). Tax exemption is also not applied, if the VAT payer had the right of partial deduction of input VAT upon the acquisition of the goods.

Last updated on 01.08.2025

Adjustment of deducted input VAT, if the immovable is used for exempt supply

The transfer of an immovable exempt from VAT or the provision of services exempt from VAT involves the adjustment of deducted input VAT. If a VAT payer acquired an immovable with VAT and deducted input VAT upon the acquisition – he must take into consideration that if he uses the immovable for his exempt supply, he must adjust deducted input VAT.

Upon the acquisition of an immovable, input VAT is not deducted according to the general proportion of taxable supply to total supply but according to the actual use of the particular immovable for taxable supply and for exempt supply (or for purposes other than those related to business). Upon the acquisition of an immovable, input VAT is deductible in the month when the immovable was acquired and the deduction shall be based on the estimated proportion in which the immovable was to be used for the purposes of taxable supply. The period for adjustment of input VAT shall be 10 calendar years in the case of immovables. The period for adjustment means that the actual use of the immovable for the taxable supply shall be monitored during the correspondent period. If the immovable is partly (or entirely) used for exempt supply, a VAT payer must partly or entirely pay back deducted input VAT. Input

VAT shall be adjusted at the end of each calendar year taking into account the actual use of the immovable during the given calendar year.

The period of time between the date of acquisition of the immovable and the last day of the current calendar year is deemed to be the first calendar year. If the actual use of the immovable was in accordance with the estimated use, the adjustment is not necessary for this calendar year. If the immovable is transferred exempt from VAT prior to the commencement of use in business or during the first year of use, the whole input VAT which was deducted upon the acquisition of the immovable shall be paid back.

Input VAT shall be adjusted also for the goods acquired and services received for the immovable which increase the book value of the immovable. In the case of remodelling of an immovable (renovation of a construction work, adding an extension to a construction work etc.), the period for adjustment begins for the remodelled immovable again since the commencement of use of the renovated part.

A VAT payer has the right to adjust input VAT in both directions, i.e. not deducted input VAT is also possible to adjust.

For example, it's possible to deduct proportionally in the course of adjustment (it means, additionally deduct) 1/10 of non-deducted input VAT for each calendar year when the immovable is used entirely for taxable supply. Of course, the prerequisite is that the acquirer of the immovable is a registered VAT payer.

Input VAT need not be adjusted upon transfer of an immovable used for business purposes to a credit or financial institution if the person who transfers the immovable has obtained the use of the immovable from the credit or financial institution on the basis of a contract during the same period of taxation and continues to use the immovable for business purposes for at least 10 calendar years as of the beginning of use of the immovable for the business of the person.

Last updated on 01.08.2025

Exempt financial services

Tax exemption of financial services is related to the essential point of the service – not to the provider. Thus, a person whose main business activity is not the provision of financial services, can also apply tax exemption for financial services. As the exception, input VAT related to the provision of exempt financial services to a non-EU country person is deductible (according to subsection 1 of § 29 of the VAT Act).

According to subsection 2 of § 32 of the VAT Act, the provision of the financial services, in so far as these are incidental transactions, shall not be taken into account upon the calculation of proportion of taxable supply to total supply. For example, financial service is incidental transaction if a business grants a loan to its employee or to a person who is not its employee and the provision of such financial service is not the main business activity of the business. Also, the financial activity has incidental character if a business transfers securities which belong to the business (including money market fund units).

The supply of the following financial services is exempt from VAT:

1) deposit transactions for the receipt of deposits and other repayable funds from the public.

Only a credit institution who has the correspondent authorisation can provide such service, its service fee is supply exempt from VAT.

2) borrowing and lending operations, including consumer credit, mortgage credit and other transactions for financing business transactions.

As a rule, a loan agreement includes the obligation of the recipient of the loan to repay the loan to the lender by agreed deadline and to pay interest, i.e. consideration for the use of the loan. Thus, received loan interests are exempt supply.

Since 1 May 2005, there is directly stipulated in the Credit Institutions Act that consumer credit is also a loan transaction treated as financial service. Interests, paid by a bank from money which is deposited in a bank account, are not treated as loan interests. The receipt of such kind of interests is not exempt supply for a business.

3) leasing transactions.

In the case of leasing transactions, the supply exempt from tax is the leasing interest. Interest is generally a fee for a financial service. If a leasing company provides a financial service to a client in addition to the rental service, the interest is exempt from tax regardless of whether the lessor and the lessee have entered into a leasing agreement under the terms of an operational lease agreement or a financial lease agreement. It should be taken into account that, in accordance with clause 9 of subsection 7 of § 37 of the VAT Act, the invoice submitted to the purchaser of the goods or services must set out, inter alia, the taxable amount broken down by different rates of VAT together with the applicable rates of VAT or the amount of supply exempt from tax – thus, the taxable value of the rental service and the amount of tax-exempt supply of the financial service must be set out separately on the invoice.

4) settlement, cash transfer and other money transmission transactions.

Abovementioned determination means the provision of the service of financial transmissions. As a rule, the provider of the service of financial transmissions is a banking institution. Service fee for financial transmissions, made by a postal institution, is also treated as a financial service exempt from VAT because the postal institution receives cash to carry forward it to third persons.

AS of 01.07.2022, payment services within the meaning of the [Payment Institutions and E-money Institutions Act](#) are not subject to value added tax, excluding transactions in collector coins which are not investment gold.

5) issue and administration of non-cash means of payment, such as electronic payment instruments, electronic money, traveller's cheques and bills of exchange.

Non-cash means of payments are credit cards, traveller's cheques, bank bills of exchange etc. As a rule, it's a service provided by a bank – including the case when the traveller's cheques are sold by travel agencies.

6) guarantees and commitments and other transactions creating binding obligations to persons.

Guarantee transactions and service fees related to such transactions are both treated as exempt supply.

7) transactions for their own account or for the account of clients in traded securities provided in clauses 1–7 of subsection 1 of § 2 of the Securities Market Act and in foreign exchange and other money market instruments, including transactions in cheques, exchange instruments, certificates of deposit and other such instruments.

In this case, service fee is exempt supply. The transfer of security itself is also exempt supply (clause 6 of subsection 2 of § 16 of the VAT Act). **Security** is defined in subsection 1 of § 2 of the Securities Market Act. Security is a transferable proprietary right – thus, security is a service. The following also shall be taken into consideration:

- ✓ if a natural person or any other person not engaged in business transfers securities which belong to him, it's not treated as business;
- ✓ if a business transfers securities which belong to him, the transfer of securities is exempt supply – but it has no influence to the deduction of input VAT of the business because the transfer of securities, in so far as it is incidental transaction, shall not be taken into account upon the calculation of proportion of taxable supply to total supply. The transfer of securities (for example, money market fund units) has incidental character also in the case when the transactions are made every day but the seller is not a financial institution and its main business is something else (not the transfer of securities). Upon the transfer of securities, value of exempt supply is comprised of the total consideration received (incl. the cost of security itself).

A greenhouse gas emission allowance for the purposes of subsection 1 of § 137 of the Atmospheric Air Protection Act, which is also treated as security in the meaning of the Securities Market Act since 03.01.2018, is **taxable** transaction since 01.05.2018.

8) transactions and acts related to the issue and sales of securities specified in clause 7 of subsection 2¹ of § 16 of the VAT Act.

The service related to the issue of securities, the public offer of securities and their admission to trading on regulated securities markets.

9) money broking.

Intermediation of transactions with money and currencies in the meaning of brokerage contract, enacted in Article 658 of the Law of Obligations Act.

10) negotiation services related to the services specified in clauses 1–9 of subsection 2¹ of § 16 of the VAT Act;

11) management of investment funds provided for in the Investment Funds Act and other investment funds of a Contracting Party to the EEA Agreement and subject to financial supervision, including the provision of services related to the management of funds to the funds in the case of transfer of duties of a management company.

Last updated on 05.08.2025

VAT treatment of cryptocurrency exchange transactions

On 22 October 2015, the Court of Justice of the European Union decided in the **Case C-264/14** that the article 2(1)(c) of the Council Directive 2006/112/EC of 28 November 2006 must be interpreted as meaning that transactions consisting of the exchange of a virtual currency (e.g. Bitcoin) for a traditional currency and vice versa, and for which a fee is charged, are considered provision of services for consideration within the meaning of that provision.

Transactions involving non-traditional currencies, i.e. currencies which are not legal tender, are nevertheless to be treated as financial transactions provided that the parties to the transaction accept these currencies as alternatives to legal tender.

The Court of Justice also held that the article 135(1)(e) of the Directive 2006/112 must be interpreted as

meaning that the **exchange of a virtual currency for a traditional currency, and vice versa, is exempt from VAT**, similarly to the exchange transactions of traditional currencies.

Last updated on 31.07.2025

Notification of tax authority about the option for taxation

Subsection 3 of § 16 of the VAT Act stipulates the opportunity of a VAT payer to add VAT to the taxable value of certain goods and services. A VAT payer shall notify the Estonian Tax and Customs Board thereof in writing before the supply is effected, during the same taxable period or earlier. If the taxpayer has notified the tax authority about it, he has no choice any more and he is obliged to add VAT to the taxable value of the transaction.

A VAT payer has the option to tax following goods and services:

- 1) **the leasing or letting of immovables or parts thereof, except dwellings, and establishment of a usufruct on immovables or parts thereof;**
- 2) **immovables and parts thereof, except dwellings.**

If the transferor of an immovable or the provider of the service connected with an immovable has registered for VAT liability before the transaction and the transaction is related to an immovable which is already in use, he has the option: if he notifies the tax authority in written, he can add VAT to the taxable value of the transactions related to immovables, except the transfer of dwellings which are already in use. Dwelling is defined in the Law of Obligations Act, it means a residential building or apartment which is used for permanent habitation.

A VAT payer can opt for taxation in respect of the transfer of immovables and parts thereof and in respect of the leasing or letting of immovables or parts thereof and establishment of a usufruct on immovables or parts thereof. A VAT payer can't opt for taxation in respect of the transfer of dwellings which are already in use and in respect of the leasing or letting of dwellings and establishment of a usufruct on dwellings.

If a VAT payer notifies the tax authority that he adds VAT to the taxable value of an immovable or part

thereof, the tax authority has the right to check whether this notification is justified. Especially the tax authority checks whether the VAT payer has not treated as the object of taxation a dwelling which is already in use.

If a VAT payer has notified the tax authority, he has the right to tax:

- a) transfer of the plot of land with a construction work on it (except dwelling which is already in use);
- b) transfer of the plot of land with a construction work on it (except dwelling which is already in use), if the costs related to the improvements of this construction work are less than 110% of the acquisition value of the construction work before the making of the improvements;
- c) the leasing or letting of immovables or parts thereof (except dwellings) and establishment of a usufruct on immovables or parts thereof (except dwellings).

Since 01.01.2011, special arrangements for imposing VAT are applicable for immovable or part thereof which supply is usually exempt from VAT and a VAT payer is required to notify the tax authority pursuant to **subsection 3 of § 16** of the VAT Act about adding VAT to a taxable value of which. **Article 41¹ of the VAT Act** stipulates that if such immovable is transferred to the other Estonian VAT payer with VAT, the acquirer of the goods shall pay the sales price exclusive of VAT to the transferor. The acquirer of the goods shall calculate the amount of VAT mentioned on the invoice issued for the transaction as the amount of VAT to be paid by the acquirer instead of the transferor (so-called reverse charge).

Read more: **[Special arrangements for imposing tax on immovables, scrap metal, precious metal and metal products](#)**

3) services specified in clause 6 of [subsection 2 of § 16](#) and subsection 2¹ of § 16 of the VAT Act, except in cases where the service is provided to a taxable person or taxable person with limited liability of another Member State.

According to **[subsection 3 of § 16](#)** of the VAT Act, a VAT payer can opt for taxation in respect of the financial services and securities, supply of which is usually exempt from VAT according to clause 6 of subsection 2 of § 16 and subsection 2¹ of § 16 of the VAT Act. According to the amendment which is in force since 1 January 2006, a VAT payer has the option for taxation only in respect of domestic financial services, but not between Member States. Thus, a VAT payer can't opt for taxation in respect of financial services, provided to a taxable person or taxable person with limited liability of another Member State. According to the EU VAT Directive, a Member State may allow taxable persons a right of option for taxation in respect of the financial services, but this option is only noninternational and can't be used for cross-border transaction between Member States.

4) investment gold transferred to another taxable person by a taxable person who, during the business thereof, normally supplies gold for industrial purposes or by a taxable person who produces investment

gold or transforms any gold used for other purposes into investment gold, or services relating to such supply which are provided by an agent acting in the name and for the account of another person.

If a VAT payer adds VAT to the taxable value of services pursuant to subsection 3 of § 16 of the VAT Act, such supply shall be taxed for at least two years as of the first taxable period. This two years limit is not established for goods because a VAT payer can opt for taxation by particular objects and the supply of the goods is always one-time transaction.

There is an enjoining in **subsection 5 of § 16** of the VAT Act. According to it, VAT shall not be imposed also on the supply of services which is deemed to constitute supply of electronically supplied services. For example, the service of internet bank is a financial service by nature, although formally it's the electronically supplied service.

Last updated on 01.08.2025