Place of supply of the goods

The place of supply of goods is Estonia

The place of supply of goods is Estonia in the following cases (**subsection 1 of § 9 of the VAT Act**):

1. the goods are transferred or made available in any other manner to the recipient in Estonia, are exported from Estonia, intra-Community supply of goods is effected or imported to a recipient located in Estonia on condition that the goods are taxed under special arrangements for imposing value added tax on distance selling of goods imported from a third country;
2. a person of another Member State engaged in business transfers goods to be installed or assembled, and installs or assembles them in Estonia or such goods are installed or assembled in Estonia on the person's behalf.
   For the purposes of the application of this point, it is irrelevant whether or not the person of another Member State engaged in business is registered as a taxable person in his Member State, but only that the goods are installed or assembled in Estonia.
3. the goods, including goods consumed or sold on board, are transferred on board a vessel or aircraft departing on an international route from Estonia;
4. natural gas or electricity, heating or cooling energy is transferred via a network to a reseller who is an Estonian taxable person located in Estonia;

EXAMPLE

If a Latvian taxable person transfers electricity to an Estonian taxable reseller or final consumer, the place of supply and taxation of the supply is Estonia and the tax liability (reverse charge) arises for the Estonian taxable person.
However, if the recipient of the goods in Estonia is a final consumer who is a natural person, the Latvian taxable person must register as a person liable to VAT in Estonia.

5. natural gas or electricity, heating and cooling energy transmitted via a network is transferred to the acquirer of the goods who will use the goods in Estonia. If the acquirer of the goods does not use all or a part of the goods, the unused goods are still deemed to be goods used in Estonia if the acquirer of the goods has a seat or permanent business establishment in Estonia for which the goods were transferred. This provision does not apply in the case specified in the previous point.
6. goods taxed under special arrangements for imposing value added tax on the resale of second-hand goods, original works of art and collectors’ items or antiques or goods taxed under special arrangements for imposing value added tax on selling of second-hand goods, original works of art, collectors' items and antiques at a public auction are transferred from Estonia to another Member State by intra-Community distance selling.

The place of supply of goods is not Estonia

Pursuant to **subsection 2 of § 9 of the VAT Act**, the place of supply of goods is not Estonia if the taxable

person:

1. transfers goods and installs or assembles the goods in another Member State;
2. transfers natural gas or electricity, heating or cooling energy transmitted via a network to a reseller or another person of another Member State who will not use the goods in Estonia;
   For the purposes of point 4 of the first list and point 2 of the second list, "reseller" means a person engaged in business who generally transfers the natural gas or electricity, heating and cooling energy acquired thereby and uses such goods for own purposes only to an insignificant extent (**subsection 3 of § 9 of the VAT Act**).
3. transfers the goods taxed under special arrangements for imposing value added tax on the resale of second-hand goods, original works of art and collectors' items or antiques or under special arrangements for imposing value added tax on selling of second-hand goods, original works of art, collectors' items and antiques at a public auction by intra-Community distance selling from another Member State to Estonia.

The rules for determining the place of supply of intra-Community distance selling of goods are laid down in § 10^1 of the VAT Act.

On 1 July 2021, the thresholds on distance selling in the Member States of the European Union were abolished. An overall threshold of **10,000 euros** was introduced, which applies to the total supply of intra-Community distance sales of goods (to all Member States combined) and digital services provided to end-users in other Member States.

Where the threshold is not exceeded **and the seller does not have a seat or a permanent business establishment in any Member State other than that in which he is established**, the VAT rate of the country in which the seller is established can be used to tax those supplies.

Where the threshold is exceeded **or where the seller has a seat or permanent business establishment in a Member State other than the Member State of establishment**, intra-Community distance sales (as well as digital services supplied to final consumers) must be subject to the VAT rates of the Member States in which the final consumers are.

Thus, for the purposes of determining the place of supply of goods, **it is important to know where the goods are at the time of supply** and **whether the goods are transferred to a taxable person or to a person who is not registered as a taxable person in any Member State**.

If the goods are located in Estonia at the moment of transfer and are also transferred to an Estonian person, the place of supply is Estonia and the goods are taxed as usual, i.e. at the rate of 9%, 24% and in

some cases also at 0% or the goods are exempt from tax.

If the goods are located in Estonia at the time of transfer and are transferred to a person registered as a taxable person in another Member State and the goods are also removed from Estonia, the goods are taxed at the rate of 0% and the tax liability is transferred to the purchaser of the goods in the country in which the purchaser is established.

If the goods are transferred under the same conditions to a person from another Member State who is not registered as a taxable person or a taxable person with limited liability, the rules for determining the place of supply of intra-Community distance selling of goods will apply.

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