

Export of goods via a free zone

The export of goods can also be carried out through a free zone. Union goods transferred and delivered 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 are taxed at a rate of 0% (clause 9 of subsection 3 of § 15 of the VAT Act).

Therefore, the 0% tax rate applies to the transfer of goods to a free zone regardless of whether the goods are transferred to another Estonian person or to a foreign person, including both a person of another Member State and a person of a third country. The transfer of goods to a free zone is not export, but a supply subject to a 0% tax rate, which is declared only in line 3 of form KMD. The application of the zero rate is subject to the condition that the goods are exported directly from the free zone within 2 months of their delivery to the free zone, i.e. the goods may leave the free zone only for export to a non-Union country. The taxable person who carried out the transaction must be able to prove that the goods have been exported within that time limit (evidence may include, for example, stock records of a free zone showing the day on which the goods were delivered to and exported from the free zone, a copy of a customs declaration, etc.).