Declaration of VAT on imports of goods or fixed assets in a VAT return (form KMD)

This provision allows economic operators that meet certain conditions to declare VAT calculated on goods imported from third countries in a VAT return (hereinafter form KMD) with the right to deduct it at the same time if the goods are used for the purposes of taxable supply of the economic operator. In other words, no real tax liability arises for the economic operator with the taxable supply, since the VAT calculated can be deducted as input tax in the same KMD (indicating pluses and minus in the KMD). If the economic operator has supply exempt from tax, the input tax can be deducted in part according to the proportion of tax-exempt and total supply.

CONDITIONS

In order to declare VAT calculated on import on form KMD, a taxable person (e.g. a company, a self-employed person, hereinafter a person) must meet the following conditions (subsection 2^1 of § 38 of the VAT Act):

1. the taxable person has been registered as a taxable person for at least preceding 12 consecutive months,
2. the taxable person has not failed to submit tax returns on time within preceding 12 months,
3. the taxable person has not had tax arrears within the preceding 12 months.

In this context, we treat payment of tax arrears in instalments as having no tax arrears. Upon applying for an authorisation or renewing the authorisation, it is important to make sure that you have organised paying the tax liabilities in instalments before the due date for paying the liabilities. In order to be able to submit the application to pay future tax liabilities in instalments, tax liabilities must be declared in advance. In the case of an approved payment schedule, it is important to comply with the schedule, make payments on time and submit future declarations on time. **More information on payment in instalments**

A person can declare VAT on import of goods on form KMD if all the conditions are met and the tax authority has also confirmed that the conditions have been met. If one of the conditions is not met, the VAT on the import of goods must be paid in accordance with the customs legislation (on the basis of a customs declaration).

CONDITIONS WHEN IMPORTING FIXED ASSETS

Import of fixed assets is laid down as an exception. In such a case, the condition that a person must have been registered as a taxable person for at least the preceding 12 consecutive months need not be fulfilled. However, the other two conditions must be met: the taxable person must not have failed to submit tax returns on time within preceding 12 months, and has not had tax arrears in the previous 12 months.

If a person does not meet the first condition specified in subsection 2^1 of § 38 of the VAT Act (has been registered as a taxable person for at least preceding 12 consecutive months), the tax authority has the right to demand the provision of a security. The security is provided, released, used and calculated in accordance with Chapter 12 of the Taxation Act.

A security may be required only on the import of fixed assets, i.e. no security is required when goods are imported.

FOR SELLERS OF FUEL

Sellers of fuel within the meaning of the Liquid Fuel Act who hold activity licences for the import of fuel and have the obligation to provide security upon import of fuel are not required to comply with the conditions laid down in subsection 2^1 of § 38 of the VAT Act. Fuel sellers subject to VAT will be entitled to declare the import of fuel in a VAT return on the basis of a notification even if the required conditions are not met (subsection 2^7 of § 38 of the VAT Act).

APPLICATION FOR AN AUTHORISATION TO DECLARE VAT ON IMPORTS OF GOODS OR FIXED ASSETS ON FORM KMD

The authorisation for declaring the import of goods or fixed assets on form KMD can be applied for by a person who is a consignee in accordance with the transaction documents on the basis of which the goods were placed under the customs procedure for release for free circulation. As a general rule, the importer (consignee) is the buyer of the goods. If a person different from the buyer of the goods is indicated in transaction documents as the consignee, the importer is the consignee of the goods.

Persons wishing to declare VAT on the import of goods or fixed assets on form KMD must inform the tax authority in advance in writing (submit an application). The application can be submitted only electronically via the information system LUBA in the e-services environment e-MTA (in the **e-MTA** select **Customs** – **Rights and obligations** – **Licenses (LUBA)**).

When submitting your application, you have to choose whether you want to apply for:

- ✓ an authorisation for declaring VAT on the import of goods on form KMD (in Estonian: kauba impordi käibemaksu KMD-l deklareerimise luba),

- ✓ an authorisation for declaring VAT on the import of fixed assets on form KMD (in Estonian: põhivara impordi käibemaksu KMD-l deklareerimise luba).

When applying for the authorisation, you have to:

- ✓ provide information on the applicant (for both the application for goods and fixed assets) — the applicant's registry code/personal identification code, the applicant's business name, the address of the applicant's place of residence, the applicant's VAT identification number (VAT number);
- ✓ indicate information about being a fuel seller;

- ✓ provide additional information upon application for authorisation to import fixed assets — the term during which the fixed assets are imported (maximum 3 months); the value of the goods – the estimated taxable value of the imported fixed assets (§ 13 of the VAT Act); the description of the goods — commercial and/or technical description.

If a person has a valid authorisation for import of goods, there is no need to apply for a separate import authorisation to import fixed assets.

VERIFICATION OF COMPLIANCE WITH THE CONDITIONS

After submission of the application, the tax authority will carry out a verification of the person's compliance with the conditions of the VAT Act and confirm the compliance or non-compliance with the conditions within 30 days as of the receipt of the application (in the information system LUBA in the e-services environment e-MTA).

The tax authority may request additional information from the person concerning the fulfilment of the conditions if it does not have sufficient information to do so. If a security is required, the person will be required to provide a security.

ISSUE OF AUTHORISATION

The authorisation for importing goods will be issued if the person meets all three conditions. If one of the conditions is not met, the authorisation will not be issued. As a general rule, the authorisation is issued for an indefinite period.

The authorisation for the import of fixed assets is issued if either all three conditions are met by the person or, if the first condition is not met, a security is provided and it is accepted by the tax authorities. The authorisation will be issued for a fixed term, in accordance with the time limit indicated in the application.

EXTENSION, SUSPENSION AND REVOCATION OF AUTHORISATION

In the case of a person who has obtained the right to import goods, the tax authority checks the continued compliance of the taxable person with the conditions on a monthly basis (subsection 2^4 of § 38 of the VAT Act). The results can be viewed in the e-services environment e-MTA in information system LUBA. If the conditions are met, the authorisation to import goods will be extended until the end of the following calendar month. If the conditions are not met, the authorisation to import the goods will be suspended until the end of the following calendar month.

The tax authority has the right to suspend the validity of an authorisation for the import of both goods and fixed assets for the duration of tax proceedings (subsection 2^4 of § 38 of the VAT Act).

In order for the authorisation for importing goods to be revoked, an application must be submitted. Since the authorisation for the import of fixed assets is issued for a limited period (until the deadline indicated

in the application), the authorisation will also be revoked if the time limit is exceeded (no separate application is required).

The tax authority will repeal the right to declare VAT on both goods and fixed assets upon deletion of a person from the register of taxable persons (subsection 2^5 of § 38 of the VAT Act) and may repeal the right by means of a notice of assessment or if the validity of the authorisation has been suspended for six consecutive months (subsection 2^6 of § 38 of the VAT Act).

Please note that the application for the authorisation to import goods must be submitted only once, unless the authorisation was not granted on the basis of a prior application or the prior authorisation has been revoked.

If a previous authorisation for the import of fixed assets has been revoked or if a fixed asset which is not mentioned in the authorisation is to be imported, a new application must be submitted.

FILLING IN CUSTOMS DECLARATIONS

If the authorisation for importing goods or fixed assets is valid, the supporting document code 6024 (authorisation for import of goods, filled in by the system) or 6025 (authorisation for import of fixed assets, entered manually) must be entered in the customs declaration and the payment method “2 — form KMD” will be added by the system.

FILLING IN FORM KMD

VAT calculated on the import of goods subject to the authorisation for import of goods or fixed assets is declared in field 4^1 of the KMD, which is a field to be filled in by the tax authority according to the data obtained from the system of import customs declarations Impulss. Economic operators themselves cannot fill/amend field 4^1.

On the amount of VAT due on imports declared in field 4^1 of the KMD, a corresponding report can be drawn up in the e-services environment e-MTA (select menu item “Registers and inquiries” – “My Inquiries” – “Data query” or “Customs” – “Import declaration (Impulss)” – “Import data query”). In order to use the data query (REPORTING), you must have the access permission titled “Using the data query (REPORTING) application” (REPORTING_CUSTOMER). A template titled “EE1040 Maksusummade määramine MKRi tasumiseks ja/või KMDle esitamiseks” must be selected for the query.

Last updated on 15.10.2025