

Taxation

In the case of all the mentioned services where the service is provided in a foreign country or where the immovable is located in a foreign country or the means of transport is in a foreign country at the moment of short-term hiring and where the place of supply is not Estonia, the following recommendations must be followed when taxing the supply of services:

- a) If an Estonian taxable person provides services taxable in a foreign country to a person who is not registered as a taxable person or taxable person with limited liability in any Member State or is not a third country person engaged in business, the service provider generally has an obligation to register in that foreign country and must follow the tax laws of the relevant foreign country.
- b) If an Estonian taxable person provides services taxable in a foreign country to a taxable person or taxable person with limited liability of that country or to a third country person engaged in business, the obligation to register as a taxable person does not arise if the foreign country applies the reverse charge mechanism upon payment of the tax. Here, too, the tax laws of the foreign country must be followed.
- c) If the service is provided in a foreign country under the Estonian taxable person's number, taxable services in the case of which the place of supply is not Estonia must be declared in the Estonian VAT return with a 0% tax rate, regardless of to whom the service is provided.
- d) If an Estonian taxable person uses its taxable person's identification number of another Member State at the provision of a service, the service is exempt from tax instead of a 0% VAT rate (subsection 6¹ of § 15 of the VAT Act). In this case, tax exemption means that the service provided in another Member State is not declared in Estonia.
- e) If an Estonian taxable person provides tax-exempt services of immovable property in another Member State, the supply of tax-exempt services provided abroad does not need to be declared in Estonia.

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